Automotive News

November 19, 1990

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C-2710-3

European import deals may fight new taxes

By Diana T. Kurylko
and Jim Henry
AUTOMOTIVE NEWS STAFF REPORTERS

Angry European import dealers are considering plans to form their own lobbying group to pressure Congress into repealing or modifying new taxes on luxury cars and gas-guzzling cars.

The increased tax load is "a devastating blow," said Ralph J. Gaden, chairman of the dealer council for Mercedes-Benz of North America Inc. and owner of Autohaus Inc. in Dallas. "Some dealers are going to go broke, and so are their salesmen and their mechanics."

As part of Congress' deficit-reduction package, lawmakers have slapped a 10 percent tariff on the price of a car over $30,000. In addition, penalties on cars that get less than 22.5 mpg have been doubled and now range from $1,000 to $7,700. They take affect Jan. 1.

Dealers who sell European cars will be hit the hardest.

"There are urgent discussions going on within the dealer groups and between the dealer groups," said Martin Bennett, chairman of the Jaguar National Dealer Council and owner of Thoroughbred Motorcars (Ferrari-Jaguar-Saab-Lotus) in Nashville, Tenn.

Bennett said chairmen of European import dealer groups have begun informal talks about forming a coalition that could be allied with a group like Auto Dealers and Drivers for Free Trade, a political action committee known as AutoPac.

"We've got to join something that has hitting power, that already knows its way around Congress and has the contacts," Bennett said.

Bennett said he would like to see European import dealers get together among themselves and form a unified lobby before January, then buttonhole legislators as soon

see TAXES, page 44

MR. GM

Stempel's hot for more market gains despite predicting tough times for '91

By Phil Frame
AUTOMOTIVE NEWS STAFF REPORTER

General Motors expects continued market share gains in 1991 despite consumer concerns over the Persian Gulf crisis, the economy and higher gasoline prices, Chairman Robert C. Stempel said.

In his first interview since he succeeded Roger B. Smith as chairman Aug. 1, Stempel predicted industry sales of only 14 million cars and trucks in 1991, a drop of 300,000 from his estimate for 1990.

Despite a host of potential problems, the auto industry has enough new products in 1991 to generate the kind of consumer interest that should prevent a big downturn, Stempel said.

GM is in a good position to deal with a downturn, partly because it has worked to manage its vehicle inventories, Stempel said.

"Inventory on cars is the lowest it's been since 1986, so we're in pretty good balance, production vs. sales," he said.

The automaker's market share, which has been rising slowly this year, should continue to go up, Stempel said.

Oil prices, which he said should remain in the mid-$30 per barrel range during most of 1991, will have a wide-ranging impact on the industry and GM regardless of how the crisis with Iraq is resolved, he said.

The effects will be felt "not only . . . in terms of our fuel efficiency, but the oil we use in manufacturing, the oil we use in the plastics and chemical side of our business," Stempel said.

GM has planned its future products with the assumption of even higher oil and gasoline prices, Stempel said although he declined to reveal the planners' assumptions.

"That's why you don't see a panic here as this gasoline price roars upward," he said. "If you'd like a small, fuel-efficient car, 'How many?' is my response. Not, 'Ooh! Give me a year to get there.' We've got 'em. We've got four-cylinder engines. You want fours? (We've got

see STEMPEL, page 44

AUTOMOTIVE NEWS/JOE WILLSEN

"Saturn already has 29 patents approved — 29! Now you name one other automobile that's got half that many new patentable ideas," Stempel said.

Saturn plan: only 560 will be no-option $7,995 cars

By Phil Frame
AUTOMOTIVE NEWS STAFF REPORTER

Saturn Corp. surprised dealers and customers with a low $7,995 sticker price for its base sedan, but the company expects to sell no more than 560 cars at that price in the 1991 model year.

Saturn plans to build 7,000 base SL sedans in the 1991 model year, and expects 4,690 (67 percent) of those units to be purchased with the $775 dealer-installed air conditioning system, according to an option forecast obtained by *Automotive News*. Another 1,750 SL units (25 percent) are expected to be built with factory-installed air, which also has a $775 sticker.

Saturn ads attract shoppers, Page 10

That leaves only 560 SL units that could sell for the $7,995 sticker price. And some of those are likely to be equipped with other options such as $170 cassette players.

Although the $7,995 base price

see SATURN, page 44

Honda 2-seater

Honda's new 656cc two-seat roadster, pictured here with a removable hard top, debuts in Japan this February. The mid-engined vehicle, which may be called the R-X, is based on Honda's Today minicar. It is not expected to be sold in the United States.

Co-op ads inspire anything but dealer cooperation

By Arlena Sawyers
AUTOMOTIVE NEWS STAFF REPORTER

In a world filled with uncertainties, most car and truck dealers can count on at least three things: death, taxes and cooperative advertising.

Many Big 3 and import dealers find the three equally unpleasant.

In the last couple years, co-op advertising has become the most controversial area of automobile advertising for dealers.

Once a common ground where manufacturers and their dealers joined financial forces to fight the competition, co-op advertising, in some instances, has escalated into civil war.

While manufacturers contend they don't twist dealers' arms to keep them in ad associations, dealers disagree.

Dealers who want to quit the ad groups and stop paying the mandatory co-op fee assessed by the factory say they fear reprisal from the manufacturer in the form of warranty and/or dealership audits

see CO-OP, page 42

Straight talk

New safety standards. The Clean Air Act. Rising gas prices. Top executives talk about meeting these challenges in *Automotive News Insight*, which follows Page 24.

Rental fleets help Chrysler:

Corp.'s campaign to increase sales to rental-car companies
aying off as the company battles to cling to its ranking as
car seller in the United States. Story on Page 6.

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Volvo digs into ad fiasco

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Volvo's "monster truck" ad scandal continued to erupt last week as AB Volvo Chairman Pehr Gyellenhammar ordered an investigation into what he called Volvo's "distasteful and unacceptable behavior."

Meanwhile, Volvo Cars of North America's longtime ad agency, Scali, McCabe, Sloves Inc., resigned the $40 million account.

In a statement from Sweden, Gyellenhammar called the doctored ads "an offense against our company and what we represent and an insult to all Volvo owners." He said Robert F. Dee, an outside member of the board of Volvo North America Corp., would head the investigation.

The Federal Trade Commission also has asked Volvo to substantiate all advertising claims made since Jan. 1, 1989, said Volvo Cars spokesman Robert C. Austin.

Volvo Cars was already conducting its own internal investigation, Austin said that was suspended last week, and all information was to be handed over to Dee.

Gyellenhammar called for the investigation "to clarify how this misconduct has come about and identify those responsible for it." He promised to "make an example" of those responsible.

The print and television ads showed a "monster truck" squashing a line of cars — except for a Volvo 240 wagon. Volvo killed the ads and apologized after the Texas attorney general revealed Volvo's car was specially reinforced and the other cars weakened.

Marvin Sloves, chairman of Scali, McCabe, Sloves, said the agency accepted "ultimate responsibility." But he said no one at the agency authorized the tampering or knew it had occurred.

Both Volvo and the ad agency had representatives on the scene when the ad was shot in Austin, Texas, last June, but not at every moment, Volvo spokesman Austin said.

Nevertheless, the agency was responsible because it hired New York-based Perretti Productions to film the ads, and the agency was responsible for everything that took place on the shooting, said William J. Hoover, Volvo senior vice president of marketing.

After 23 years of doing business together, Volvo was the agency's biggest and oldest account, representing about 15 percent of the agency's billings, Sloves said.

"They were great, rewarding years. We built the brand together. That's what's so devastating about this," he said.

Automotive News Staff Reporter Arlena Sawyers in Detroit contributed to this story.

How Volvo's bogus advertisements were discovered

By Jennifer Lawrence
CRAIN NEWS SERVICE

When Dan White went to the Texas Exposition & Heritage Center in Austin June 12, he hoped to pick up some Volvos for mechanical salvage.

Instead, he ended up blowing the whistle on one of the most respected companies around, one noted for its safe and reliable vehicles — Volvo.

It was just chance that White — car buff, auto mechanic, former welder, University of Texas graduate with a degree in government — started a conversation with a man who had a camera.

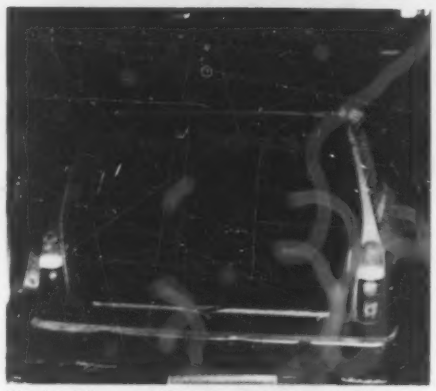
The man, Pat Horne, turned out to be the father of one of White's friends.

The retired Horne, visiting from California, wandered around the center with White for most of the morning.

They were on the south side of the arena when they heard what White called "the unmistakable noise of a saw cutting steel."

White and Horne walked over to the arena's west side where sparks were flying.

"A fellow in a welder's get-up was cutting



Steel reinforcment beams were placed inside a Volvo used in the "Monster Truck" commercial.

B-pillars (roof supports) on some cars with the saw," White recalled in an interview with *Advertising Age*, a sister publication to *Automotive News*. "We saw three cars being cut, and when we broke for lunch at noon, we saw that all the B-pillars on all the cars (competing against Volvo) had been cut."

Horne snapped some photographs of a Ford Maverick and brown Granada, pictures that would eventually be used as exhibits in the Texas attorney general's case against Volvo Cars of North America.

By now, White thought something phony was going on. Nevertheless, he had errands to run and left for most of the afternoon.

Meanwhile, Horne stayed and photographed all that he could.

While on his errands, White ran into an attorney friend at Big Steve's Gym. White told the lawyer what he thought was happening.

White asked the attorney whether he should alert the Federal Trade Commission, but the lawyer said to try the state attorney general's office instead because the FTC "wouldn't do anything."

When White returned to the center, he still wanted a crack at buying the Volvos, and he was ready to talk terms with Jesse Spindler of International Promotions.

Three used Volvo wagons were filmed. Early

see RIGGED, page 11

The EDS satellite network is monitored at the firm's Management Information Center in Plano, Texas.

EDS gambit paying off for GM

Troubles of 1984 buyout purged as revenue, profits surge

By Michelle Krebs
SPECIAL CORRESPONDENT

Everything that could go wrong did in the early days of General Motors' ownership of Electronic Data Systems Corp.

But on the sixth anniversary of the automaker's purchase of the Dallas-based computer services firm, both appear better off for the marriage.

The acquisition of EDS for $2.5 billion has turned out to be a financial prize.

EDS' revenues have grown from $786 million in 1984 to $5.5 billion in 1989, about $1 billion more than analysts had predicted five years ago. Profits increased from $71 million to $435 million.

While the GM business gave EDS an instant hike, EDS has boosted its non-GM business approximately 25 percent each year on a compounded basis during the past five years. EDS expects continued growth in the non-GM business, particularly in the areas of transportation and energy. EDS also expects significant growth overseas.

Nearly all the analysts who follow computer companies have placed GM Class E stock on their "buy" list. The stock pays dividends based on EDS' performance. The analysts point out that EDS is the largest company in the fast-growing business of taking over computer operations for other companies.

EDS wants GM to account for 50 percent of its business in 1990 and 33 percent by 1994. That compares with 55 percent in 1989 and 70 percent in 1985.

By some analysts' estimates, EDS has tripled in value since GM acquired it five years ago.

"Despite all the controversy, EDS has proved to be a financial success for GM," says Maryann Keller, analyst for the New York investment firm of Furman Selz Inc. "It's earnings are growing faster than those of GM, not because of more GM business, but in spite of less GM business. GM got a real prize and a fine company. It will continue to be a contributor to GM."

In addition to contributing to GM's bottom line, EDS has helped GM's internal operations. Because of EDS, GM has:

- Established a worldwide telecommunications network, creating the largest private digital network in the world. EDS implemented a plan that GM's data processing people developed. EDS consolidated GM's 106 independent networks and increased the capacity by 300 percent at a 20 percent cost reduction.
- Consolidated GM's major data processing centers from 35 to 21 worldwide. It also allowed the standardization of computer equipment and systems. By buying in larger volume, GM can purchase equipment at a lower cost.
- Increased substantially the capability of GM's health-care processing system. EDS processes approximately 200,000 health-care claims daily, compared with the 10,000 to 25,000 GM processed before EDS. GM estimates the new system has saved the company about $750 million since 1984.

see EDS, page 18

Reitzle, Mayhew to head gala at World Congress

DETROIT — Wolfgang Reitzle, management board member of BMW AG and head of the Development Division, and Fred C. "Fritz" Mayhew, Ford Motor Co. chief design executive, North American Design, will address the Automotive News World Congress Tuesday Evening Gala Jan. 15.

The World Congress will run from Sunday, Jan. 13 through Wednesday morning, Jan. 16 at the Westin Hotel in Detroit. Attendees will hear from more than 30 leaders of the auto industry.

Tickets to the gala dinner are included with full registration for the World Congress or may be obtained separately.

After graduating from Munich Technical University, Reitzle joined BMW in January 1976 as a production specialist. He was named head of the methods testing department that April, and one

see CONGRESS, page 45

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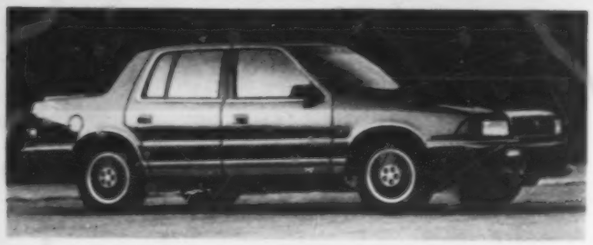
Automotive News

65th year—No. 5367

Advertising Production Department (313) 446-6063
Circulation Department
In Michigan (313) 446-0480
Outside Michigan 1-800-992-9970
Classified Ad Department (313) 446-6065
Display Ad Department (313) 446-6030
Editorial & Business Offices (313) 446-6000

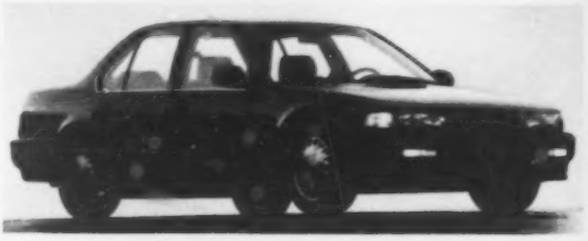
AUTOMOTIVE NEWS (ISSN 0005-1551) is published weekly except semiweekly the fourth week in May at 1400 Woodbridge, Detroit, MI 48207. Second-class postage is paid at Detroit, MI and at additional mailing offices. Postmaster: Send address changes to AUTOMOTIVE NEWS, Circulation Department, 965 E. Jefferson, Detroit, MI 48207.



The Oct. 31 score:
Chrysler, 729,732; Honda, 729,366

The big guns:
Chrysler's Plymouth Acclaim, left, with 90,894 sales, or 12.5 percent of Chrysler's total

Honda's Accord, right, the country's No. 1 scorer with 346,953 sales, or 47.6 percent of Honda's total



Rental fleets bring Chrysler back to No. 3

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp.'s campaign to increase sales to rental-car companies may be paying off as the company battles to cling to its ranking as the No. 3 car seller in the United States.

At the end of October, Chrysler led American Honda Motor Co. Inc. by 366 units. The score was Chrysler, 729,732; Honda, 729,366.

Some sales figures for the first 10 days of November have not been reported, so a Nov. 10 comparison cannot be made.

At the end of August, just before rental-car companies replenish their fleets, American Honda held a 25,451-unit lead in car sales over Chrysler. By Oct. 31, when big fleet purchases generally end, Chrysler had regained third place in U.S. car sales by that slim margin of 366.

"We got competitive in the daily-rental first-cycle business," Chrysler Motors Chairman Bennett Bidwell told reporters in September. "So you'll see our car share go up a little bit in September, a little more in October and a little more still in November and December."

Honda is not a big player in the fleet market.

From July 1989 to August 1990, Chrysler acquired three rental-car companies: Dollar Rent A Car Systems Inc. in Los Angeles; Snappy Car Rental in Mayfield Heights, Ohio; and Thrifty Rent-A-Car System Inc. in Tulsa, Okla.

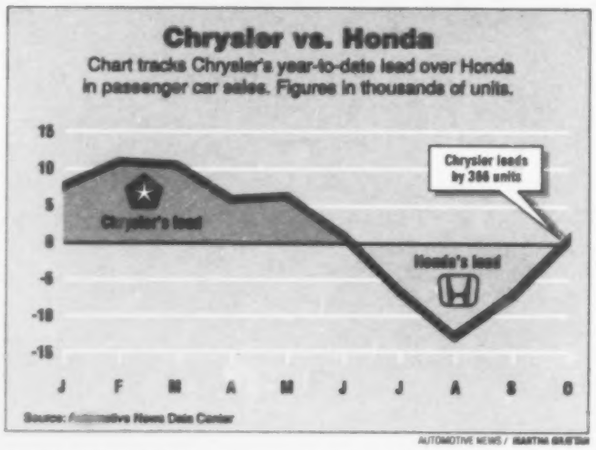
Chrysler signed a multi-year agreement this month with American International Rent-A-Car Corp. in Boston to increase the number of Chrysler cars that American International buys.

American International has 76,000 cars in its worldwide fleet, said spokeswoman Donna Walsh, but she did not know what percentage are Chrysler products.

Walsh acknowledged that an agreement had been signed with Chrysler, but she said the firm's president, Nicholas Yebba, was out of town and could not comment.

Chrysler spokesman Tom Jakobowski said the corporation did not want to comment on the deal.

A manager at an American International branch office said the agreement includes an increase in the purchase of Chrysler cars by the company in return for advertising money from Chrysler. She said the co-op program calls for Chrysler to pay American International about $200 for each car it purchases from Chrysler and, in return, American International will run a tagline in its ads that says it carries Chrysler products.



She said she currently has only General Motors and Ford Motor Co. cars in her fleet.

Jakobowski would not say what percentage of Chrysler's sales in September and October were to fleets, but he said fleet sales "were good."

Spokespersons from Dollar and Snappy did not return calls from *Automotive News*.

Meloyde Blancett-Scott, director of corporate communications for Thrifty, said Chrysler cars represented more than 75 percent of Thrifty's car purchases this fall, compared to less than 60 percent last fall. "Chrysler had a very competitive lease package" this cycle, Blancett-Scott said.

Chrysler and Honda have been in a sales battle all year. During the first 10 months of this year, each company won the monthly sales crown five times.

After Honda amassed a year-to-date lead of more than 25,000 cars at the end of August, Chrysler came back to outsell Honda by 11,207 cars in September and 14,610 cars last month.

For Nov. 1-10, Chrysler sold 18,873 domestic cars and 1,361 imports, and Honda sold 9,609 U.S.-built cars, but Honda declined to provide an import sales total for the period.

Chrysler's year-to-date sales include domestic and imported cars under Dodge, Plymouth, Chrysler and Eagle badges. American Honda's sales include U.S.-built Hondas, imported Hondas and imported Acuras.

October was the first month that Chrysler reported an increase over its year-ago figures.

Auto analyst Lee McMillan says the fleet market was helpful to Chrysler's surge the past two months. McMillan, with Marxman Management & Research in Northbrook, Ill., says Chrysler will continue to pour on the incentives to try to keep its No. 3 ranking.

"Chrysler is very aware of the psychological impact of headlines that would say 'Honda outsells Chrysler,' " McMillan said. "They're very aware what that would mean in regard to consumer perception.

"Chrysler doesn't want that; they don't need that."

If Time Warner sells it, Chrysler advertises in it

By Arlena Sawyers
AUTOMOTIVE NEWS STAFF REPORTER

HIGHLAND PARK, Mich. — Over the next few years, when you see a Chrysler vehicle prominently displayed in a movie, chances are it's not just show business.

Featuring Chrysler products in future Warner Bros. movies is one part of a carefully orchestrated multimedia, multimillion-dollar deal between Chrysler Corp. and Time Warner Inc. that will use all the media company's properties to market Chrysler products.

John B. Damoose, Chrysler vice president of marketing, announced the innovative marketing effort last week at Chrysler's corporate headquarters. He was joined by Michael Drexler, executive vice president of Bozell Inc., the advertising agency that handles Chrysler's corporate account, and Donald M. Elliman Jr., executive vice president of marketing and group publisher of Time Inc. Magazine Co.

The two-year agreement is to include all Time Warner media outlets including magazines, television programming, cable television, home video, films, books, direct mail and special events. It begins next February.

Damoose calls the strategy the "big bang theory."

"We're focusing on reaching the best prospects in key publications with greater impact and frequency," he said.

The program emphasizes magazines. It includes advertising in *Time*, *Life*, *Fortune*, *People*, *Money*, *Sports Illustrated* and *Entertainment Weekly*, which have a combined readership of 70 million adults.

All of those magazines will feature 11-page advertorial inserts.

The theme of the inserts will be "Rediscover America," marking the approaching 500th anniversary of the discovery of America. It also fits with Chrysler's ongoing appeal to patriotism. The inserts will focus on topics Chrysler believes Americans are concerned about.

Among the likely topics, said Damoose, are education, global competition and the environment. Each insert will include a ballot allowing readers to voice their opinions about the topics. Subscribers will receive personalized ballots. The results of each survey will appear in subsequent ad inserts.

Also, the program includes special issues of *Fortune*, *People* and *Life* in which Chrysler and its divisions will be the sole advertisers. The *Fortune* special issue is scheduled for May 1991, just in time for spring car advertising. It will focus on global competitiveness.

Damoose calls it the "big bang theory."

The *People* issue is slated for fall 1991, focusing on people who made contributions to this country. It will showcase the Dodge Viper sports car and Jeep ZJ sport-utility, both new models for 1992.

The *Life* issue, due in fall 1992, will highlight the contributions of explorers and humanitarians. Advertising would presumably push 1993 Chrysler models.

Chrysler will get 25 to 27 advertising pages in those issues.

Damoose refused to disclose the value of the agreement, but *Advertising Age*, a sister trade publication to *Automotive News*, estimates the media package to be worth $40 million to $50 million.

Damoose said the deal will not conflict with Chrysler's belt-tightening efforts. He said the carmaker will expanding its ad budget more than 10 percent next year, calling advertising a revenue enhancer.

The program will use Time Warner Direct Marketing for dealer programs.

It will also include advertising or promotion on Warner Bros. records, Time-Life books and videos and the Time Warner Cable Group.

Ford, GM rise in first 10 days

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

After strong sales in October, Chrysler Corp. began November with a thud.

Chrysler, down 9.1 percent, was the only domestic automaker to report a decline in car sales in early November. For the industry, car sales rose 7.6 percent over last year's depressed total.

Last year's total was the lowest 10-day period of 1989.

Truck sales were off 6.4 percent from last year. Chrysler's truck sales dipped 33 percent, and Nissan reported a 32.9 percent drop.

Combined sales of cars and trucks were 239,889, a 2.1 percent increase.

Every Chrysler truck division reported a heavy loss, and sales of Chrysler's Town & Country minivan, which is counted as a truck, were down 62.8 percent.

General Motors' car sales rose 10.1 percent. Cavalier was the star at Chevrolet with a 42.7 percent increase.

Ford Motor Co.'s car sales jumped 6.2 percent, truck sales were up 0.7 percent, and the car-truck total climbed 3.9 percent.

Among the transplants, Mazda reported the biggest increase. Deliveries of its new Navajo sport-utility pushed Mazda's overall sales up 111.5 percent.

Honda's sales rose 29.3 percent; Mitsubishi reported a 6.7 percent sales increase, and Toyota's sales rose 7.7 percent.

Nissan's car sales jumped 17.2 percent, trucks fell, resulted in an overall decline of 12.2 percent.

10-DAY SALES
DOMESTIC BUILT

	Nov. 1-10, 1990	% change '90 vs. '89
CARS		
Eagle	1,076	+ 8.6
Chrysler	3,329	– 7.3
Dodge	8,926	– 5.4
Plymouth	5,542	– 17.9
CHRYSLER MTRS.	**18,873**	**– 9.1**
Ford	31,310	+ 7.0
Lincoln	6,469	+ 3.8
Mercury	7,859	+ 2.7
FORD MOTOR	**45,638**	**+ 6.2**
Buick	11,760	+ 11.2
Cadillac	5,929	– 9.6
Chevrolet	27,787	+ 24.1
Oldsmobile	10,980	+ 2.8
Pontiac	12,439	+ 0.8
GENERAL MTRS.	**88,895**	**+ 10.1**
HONDA	**9,609**	**+ 29.3**
MAZDA	**925**	**+ 74.5**
MITSUBISHI	**1,048**	**+ 6.7**
NISSAN	**2,112**	**+ 17.2**
SUBARU	**347**	**—**
TOYOTA	**5,828**	**+ 7.7**
U.S. CAR TOTAL	**153,475**	**+ 7.6**
TRUCKS		
Chrysler	35	– 62.8
Dodge	7,941	– 36.7
Jeep	3,587	– 30.9
Plymouth	2,995	– 23.3
CHRYSLER MTRS.	**14,558**	**– 33.0**
FORD MOTOR	**31,463**	**+ 0.7**
Chevrolet	29,384	+ 1.7
GMC	7,290	– 0.2
Oldsmobile	504	+ 154.5
Pontiac	566	+ 59.9
GENERAL MTRS.	**37,744**	**+ 2.7**
ISUZU	**734**	**—**
MAZDA	**196**	**—**
NISSAN	**1,719**	**– 32.9**
U.S. TRK. TOTAL	**86,414**	**– 6.4**
U.S. CAR-TRUCK TOTAL	**239,889**	**+ 2.1**

There were 9 selling days in the period this year and 9 last year.

TRUCK INDUSTRY

Volvo GM rolls out new line of medium-duty trucks

By Joseph Bohn
TRUCK EDITOR

Volvo GM Heavy Truck Corp. will produce a new line of Volvo FE medium-duty trucks at its Orrville, Ohio, plant beginning Jan. 2.

The new vehicles, which replace the European-made Volvo FE6 and FE7 models, are aimed at the upper end of the market.

The new line consists of two Class 7 low-cabover models, the forward-entry FE42 truck and FE42T tractor.

Their gross vehicle weights range from 30,000 to 37,500 pounds. Gross combined weights for tractors range from 55,000 to 70,000 pounds.

Both truck and tractor models are available with either one-fourth- or 9/32-inch 110,000-pounds-per-square-inch frames similar to those of Class 8 WhiteGMC WG truck and tractor models.

The new FE series has a 59-inch front-axle setback and an 83-inch effective bumper to back of cab measurement.

The vehicles are geared to beverage, milk, oil, paper and refuse operations as well as overnight express delivery.

They are available with Caterpillar 3116 engines rated at 185 or 215 horsepower, or Volvo VE7 engines rated at 215 or 250 horsepower.

The engines can be matched with fully synchronized five-speed Spicer, six-speed Fuller or nine-speed Volvo transmissions or automatic Allison transmissions.

Volvo GM added 56,000 square feet to its 250,000-square-foot Orrville plant to handle assembly of the new series.

By switching to U.S. sourcing for its medium duty trucks, the company followed competitors like Freightliner Corp. and Ford Motor Co., which have found cost and supply advantages in producing their medium duties domestically.

With the production of the FE series, all Volvo GM vehicles marketed in North America will be produced in North America.

Added to the plant, which is on a 59-acre site, was a subassembly area for the two new engines available as options on the vehicles, an extension of the frame line, various warehouse and storage areas for 2,500 additional parts required to assemble the vehicles and 100 additional parking places for vehicles awaiting delivery.

New FE42T replaces European-made Volvo truck.

Swedish-built cab is trimmed at plant in Portsmouth, Va.

Plant Manager Phil Mayes said there are no plans to expand the plant's work force or its two-shift operation.

The Volvo FE features an American-made chassis and a Swedish-made premium cab. The cab interiors will be fitted and trimmed at a Volvo GM plant in Portsmouth, Va., and will be mounted on a WG chassis.

Volvo chose Orrville to assemble the new series because many of its parts are common to the Class 8 WhiteGMC WG that is assembled there, according to Thage Berggren, Volvo GM president and chief executive officer.

Orrville produces trucks on a U-shaped 1,000-foot-long assembly line that has 20 work stations.

To increase efficiency, major components, including frame rails, engines, transmissions, axles, wheels and cabs, are delivered and assembled parallel to the work station at which they are added to the truck.

Volvo GM has two other plants in Orrville, a cab assembly plant for WhiteGMC trucks and a metal stamping plant that produces parts for those cabs. It also assembles trucks in Dublin, Va., and Ogden, Utah.

TRUCK BRIEFS

Truck orders increase

NEW YORK — Net new Class 8 truck orders increased to 9,127 units in September from 8,901 a year earlier, reflecting a modest amount of prebuying to beat anticipated price hikes, according to Rothschild Inc., a financial investment firm.

Cancellation rates on orders increased to 16.5 percent in September from 14.0 percent a year earlier, reflecting manufacturers' efforts to screen out uncertain orders, Rothschild said.

The backlog of orders, totaling 32,564 units, was off 23.60 percent from a year ago, but up slightly from 31,808 in August 1990. Production rates in the industry have fallen below the retail sales levels, pushing order backlogs up.

Mitsubishi Fuso models

BRIDGEPORT, N.J. — Mitsubishi Fuso is offering new specialty versions of its FH100 and FM557 models, engineered by Fontaine Modification-Components Co. of Jeffersontown, Ky.

The FH100 is available as a cabover with dual-steering capability in a 17,196-pound gross vehicle weight. It is geared to refuse hauling and other applications that require a right-side driving position.

The FM557 is available as a Class 7, 132-inch wheelbase cabover, with 55,000-pound gross combined weight. The single-axle tractor is geared to city applications such as freight pickup and delivery and beverage and food delivery.

Mitsubishi is also making Associates Commercial Corp. of Irving, Texas, available as a wholesale and retail financing source to its dealers in addition to Mitsubishi Acceptance Corp. of Irvine, Calif.

Eaton distribution deal

KALAMAZOO, Mich. — Eaton Corp. reached agreement with Voith Turbo GmbH & Co. KG of Crailsheim, Germany, to become the exclusive distributor for Voith Retarders in North America.

The agreement allows Eaton to add another line to its drivetrain components products.

A retarder helps vehicle operators maintain and reduce speed without activating the foundation brakes.

Eaton is making the retarders available to original equipment manufacturers and end users of medium- and heavy-duty trucks in Canada, Mexico and the United States.

Rockwell retarder deal

TROY, Mich. — Rockwell International Corp.'s Automotive Operations struck a deal with Telma Retarder Inc., a subsidiary of Labinal Inc., Hayward, Calif., to market its brake retarders on Rockwell's premium single rear-drive axles.

The retarders are being made available on fire truck axles and will be expanded to school buses, recreational vehicles and other commercial specialty vehicles in the future.

They are available on Rockwell RS-series single-drive rear axles, with gross axle weight ratings of 13,000 to 30,000 pounds and a Telma Focal series electromagnetic retarder through virtually all North American fire truck OE manufacturers.

PACCAR Parts expands

BELLEVUE, Wash. — PACCAR Parts, a division of PACCAR Inc., has begun constructing its new Midwest distribution center in Rockford, Ill.

The new facility, when completed in the summer of 1991, will be one of seven PACCAR Parts locations in North America for its Kenworth and Peterbilt heavy-duty truck dealers.

It will consist of 225,000 square feet of distribution and operating space, plus an 8,000-square-foot office area, situated on a 24-acre site.

OCTOBER TRUCK SALES BY MANUFACTURER AND SEGMENT

		14,000 & LESS GVW CLASS 1-3	14,001-16,000 GVW CLASS 4	16,001-19,500 GVW CLASS 5	19,501-26,000 GVW CLASS 6	26,001-33,000 GVW CLASS 7	33,001 & OVER GVW CLASS 8	TOTAL 1990	TOTAL 1989
FORD	MO	107,466	1,679		682	1,847	864	112,538	109,945
	YR	1,162,615	22,961		5,348	23,011	11,227	1,225,162	1,250,080
FREIGHTLINER	MO						1,731	1,731	1,536
	YR							0	20,068
CHEVROLET	MO	92,206	3	14	1,280	766		94,269	89,836
	YR	1,077,795	3	222	7,241	6,297		1,091,558	1,141,230
GMC	MO	26,262	1	22	437	1,192		27,914	26,150
	YR	278,974	1	1,931	4,647	12,415		297,968	322,594
KENWORTH	MO					31	1,019	1,050	1,894
	YR					359	12,245	12,604	15,645
MACK	MO				59	80	1,003	1,142	1,777
	YR				969	1,295	12,545	14,809	20,244
MERCEDES-BENZ	MO				45	159		204	154
	YR				459	1,041		1,500	1,735
NAVISTAR	MO		3	9	1,432	3,431	2,995	7,870	8,628
	YR		52	103	10,748	26,676	23,540	61,119	68,696
PETERBILT	MO					19	950	969	1,491
	YR					322	10,080	10,402	14,276
VOLVO GM HEAVY	MO					74	1,159	1,233	1,686
	YR					631	11,725	12,356	14,585
HINO	MO	17		49	52	68		186	103
	YR	263		427	563	806		2,059	1,826
NISSAN DIESEL	MO	63		79	35	34		211	190
	YR	578		785	437	418		2,218	1,970
ISUZU TRUCK	MO	476	45	28	93	124		766	706
	YR	5,468	554	334	1,701	531		8,588	6,423
MITSUBISHI FUSO	MO	153		47	22	43		265	376
	YR	1,533		543	229	445		2,750	2,784
SCANIA	MO						11	11	9
	YR						89	89	101
IVECO TRUCKS	MO	154	55	23	15			247	204
	YR	1,363	453	214	130			2,160	1,938
WESTERN STAR	MO						71	71	106
	YR						816	816	1,206
OTHER TRUCKS	MO	291,480					35	291,515	125,561
	YR	3,181,014			34	1	576	3,181,625	1,362,518
GRAND TOTAL, 1990	MO	518,277	1,786	271	4,152	7,868	9,383	542,192	370,352
	YR	5,709,603	24,024	4,559	32,506	74,248	82,843	5,927,783	4,247,919
1989 YR to DATE		3,980,450	22,104	5,963	34,020	81,712	123,670		

NOTE: Class 1-3 total includes light trucks sold by all makes other than those listed. Class 4-8 reported by Motor Vehicle Manufacturers Association.

Makers debunk 'air-bag-servicing-isn't-safe' myth

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

Automakers are making efforts to educate service personnel at dealerships and independent shops on the repair and installation of air bags.

Since Sept. 1, 1989, federal law mandates that all new cars sold in the United States have an automatic crash protection system as standard equipment. Some automakers install automatic safety belts to fulfill the requirement, while others use air bags — which are becoming the favorite of the buying public.

As an example of the rising installation rate, air bags are standard on all cars Chrysler Corp. makes in the United States, while Ford Motor Co. and General Motors each plan to install air bags in more than 1 million 1991 model cars. GM plans to have driver-side bags on all domestically-built cars by 1995, and Ford expects to install both driver- and passenger-side bags on all cars by the mid-1990s.

It is important that technicians and body-shop employees know how air bags work and what precautions to follow when repairing vehicles that are equipped with the system.

It also is important, according to the carmakers, to dispel the myth that air bags are hazardous to work on.

To this end, auto manufacturers have incorporated air bag training for dealership personnel into their new-model training sessions and have issued service manuals to owners and dealers and publications and bulletins aimed at independent shops and rescue professionals. The missives list the procedures to follow on vehicles equipped with air bags.

> "There is absolutely no danger to the technician servicing, replacing or diagnosing the bag. In fact, there is more danger being exposed to the gasoline in the car than to the air bag."
>
> **Brad Thatcher**
> C-P-C Group

The automakers and others involved with air bags are not overly concerned about hazards associated with the system.

"Once the public and the technicians get over that initial fear and get to understand how they (air bags) work, I don't think they will be as concerned as they are right now," said Andrew D. Brandt, advanced service project manager for large cars for the service engineering department of Ford Parts and Service Division.

"People have been concerned about gasoline in cars ever since the introduction of the internal combustion engine," Brandt said. "I can imagine, back in the 1890s, a lot of people were afraid of that too until they understood gasoline and got used to it."

Brandt said Ford first made driver-side air bags available on 5,000 Tempos to fleet buyers in 1985.

"Since then," Brandt said, "Ford has no reports of accidents or injuries in dealerships while replacing or servicing air bags."

Air bags, according to the carmakers, require some training, but no special tools to replace.

"Replacing an air bag essentially involves removing four bolts off the back of the steering wheel, removing the air bag module and installing a new one and attaching the bolts," Brandt said. "No special tools are needed to replace the bag, and a simple voltmeter can be used to test the system."

Components in the module are the wiring shield, igniter assembly, inflator, mounting plate, retainer ring, air bag assembly, module liner and trim cover assembly.

Ray Stone, manager of technical service liaison for Chrysler's Service and Parts Operation, said routine maintenance of air bags is "no problem whatsoever" for technicians.

"Air bags are not hazardous to technicians if they follow directions in the shop manual," Stone said.

According to Stone, a popular misconception involves the small amount of residue deposited on and around the air bag after deployment.

"This residue consists primarily of corn starch and is not toxic and not a cause for concern," Stone said. "Basically, the starch is used as a dry lubricant for the bag as it deploys. Education about the air bag will dispel this misconception."

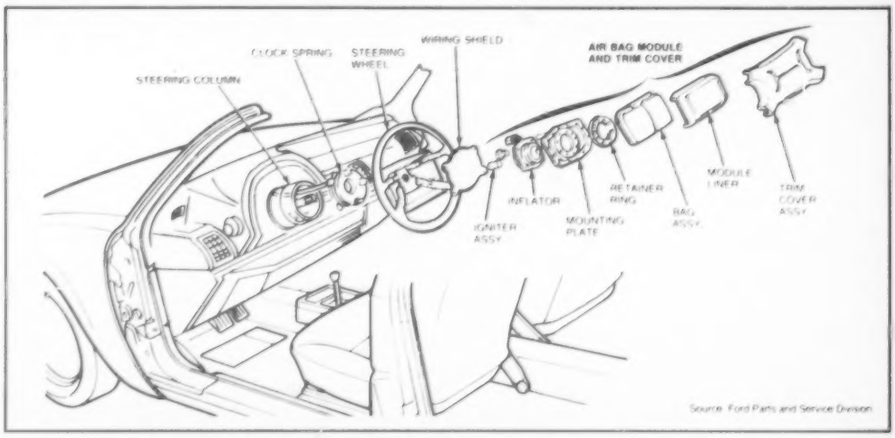
Because the residue also contains a small amount of sodium hydroxide dust, which is said to be a potential irritant to the skin, automakers advise technicians to wear protective gloves and safety glasses when working on deployed air bags.

In their shop manuals and instructions to technicians, the automakers advise that the cardinal rule before working on a car equipped with an air bag is to disable the electrical system which powers the bag. This involves disconnecting the negative battery cable, the fuse and/or the split connector at the base of the steering column.

Bill Blaylock, manager of technical training for Mercedes-Benz of North America Inc., said the automaker, which has been equipping cars with air bags since 1984, has incorporated bag training into its basic training for new technicians and advanced courses for experienced shop personnel.

"One of the features of the training program is a videotape that addresses some of the concerns originally associated with air bags."

see AIR BAGS, page 22



Drawing shows the components in the air-bag module used on Ford Motor Co. vehicles. The module, which is mounted in the center of the steering wheel, should be serviced as a complete assembly.

Shop volume moves up for 3rd straight month

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

Service and parts business recorded by new-car dealerships increased in September for the third consecutive month, according to the *Automotive News* Service Index.

Although September's shop volume was 2.1 percent ahead of the year-ago total, the increase was less than the 5.6 percent gain reported by dealers in August and the 9.3 percent advance in July.

Service and parts business for dealers in January to September 1990 was 6.8 percent above the similar period of 1989.

Figures used in the Service Index are averages compiled from reports on shop operations from a cross-section of the nation's new-car dealerships.

September's leading indicator was total labor sales (customer-paid and warranty), which topped last year's volume by 4.7 percent. Close behind was gross profit on all labor, parts and accessories — the most important indicator from the dealers' viewpoint — which was up 4.5 percent.

Shop parts sales, used on both customer-paid and warranty jobs, were up 3.6 percent, while repair orders written and sales of all parts and accessories were down 8.3 percent and 0.6 percent.

Total labor sales led the year-to-date indicators with an increase of 8.1 percent, followed by shop parts sales, up 7.0 percent, and gross profit, up 6.0 percent. Sales of all parts and accessories registered an increase of 5.8 percent, while repair orders written dipped 0.7 percent.

SERVICE INDEX
102.1*

	Sept. '90 vs. Sept. '89	Jan. Sept. '90 vs. Jan. Sept. '89
Gross Profit on All Labor and P&A Sales	+ 4.5%	+ 6.0%
Repair Orders Written	– 8.3%	– 0.7%
Total Labor Sales (Customer & Warranty)	+ 4.7%	+ 8.1%
Shop Parts Sales (Customer & Warranty)	+ 3.6%	+ 7.0%
Sales of All P&A	– 0.6%	+ 5.8%

* Survey by Automotive News shows that dealers' service and parts business in September 1990 was 102.1 percent of business in September 1989. Service business in the first 9 months of 1990 was 106.8 percent of business in the corresponding period in 1989.

Ford Motor milestone

Ford Motor Co. reached a major milestone with the sale of its 10-millionth Extended Service Plan. Barbara McLoughlin of Columbus, Ohio, purchased the contract for a Ford Taurus from Ricart Ford in Columbus. The service plan was first offered by Ford and Lincoln-Mercury dealers in 1976. From left are Rhett Ricart of Ricart Ford; Barry Pate, extended service plan marketing manager for Ford Parts and Service Division; McLoughlin; and Fred Ricart of Ricart Ford.

Ford service plan aimed at big-rig owners

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

A massive effort to improve parts delivery and customer service for Ford heavy-truck operators has been announced by Ford Motor Co.'s Parts and Service Division.

"We have committed the full resources of our division to this effort," said David Cook, the division's heavy-truck operations manager. "We have taken 30 separate actions that have one goal in mind — to provide the type of parts and service support that today's heavy-truck operator expects and deserves."

Cook said the changes range from providing emergency help on the road and improving parts availability to increasing training for dealership technicians.

Ford is offering a new emergency road service, called Linehaul Club, to owners of Aeromax 120 and other over-the-road Ford heavy trucks. Fees for the road service have not been set.

The road service, which will begin in January, will help get the vehicle to a dealership for repair 24 hours a day, 365 days a year.

To get truckers back on the road quickly, the necessary parts for repairs must be available on short notice. To meet that requirement, Ford is shifting thousands of parts from the national depot in Livonia, Mich., to five regional parts depots.

"These depots," Cook said, "in Atlanta, New York, Dallas, San Francisco and Detroit, will each have approximately 15,000 heavy-truck parts that represent 98 percent of our present parts demand.

"We are testing a regional training program for dealer and fleet technicians. We are planning 12 regional training centers with eight full-time professional trainers," he said.

Ford Parts and Service Division is establishing a technical hotline for heavy-truck dealership technicians and is increasing its field force to improve service, Cook said.

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KEN HEINEN

Among the items on the desk of National Highway Traffic Safety Administration Administrator Jerry Curry are models of a Ferrari F40 and Mercedes-Benz 300 SL. Interview on Page 18i.

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Cover photo of General Motors Chairman Robert Stempel by Joe Wilssens

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INSIGHTS

NISSAN FIRST: Nissan Motor Manufacturing (UK) Ltd. will export its British-made Primera sedan and hatchback cars to Japan and Taiwan starting in 1991. It is the first time any Japanese auto company has shipped European products to either country. Nissan will produce about 100,000 cars at its Sunderland plant in northern England next year and plans to export up to 70 percent of the output to 20 continental European markets, as well as Japan and Taiwan. Around 10,000 will go to Japan and Taiwan. Each will get about 5,000.

BRAIN DRAIN: A crisis in American industry is imminent unless business and academicians reduce the fear of learning math and science-based disciplines among the nation's youth, Dr. Robert A. Frosch, vice president of General Motors research laboratories, told presidents of the nation's top technical universities. Speaking Nov. 8 before the Association of Independent Technological Universities in Irvine, Calif., Frosch said, "The United States awards the smallest proportion of science and engineering degrees of all industrialized nations. The National Science Foundation predicts a shortfall of 450,000 engineers and scientists by 2010. Clearly, we have a serious national problem." He called for "hands-on" programs to change the American youth attitude that science and engineering fields are either too mundane or too difficult to pursue. As an example, he cited a program at the GM research labs where engineers and scientists volunteer time with students from local schools in Warren, Mich. Students visit the GM facility and researchers speak to science classes at the school.

METHANOL MARCHES ON: GM is on schedule to deliver 2,200 methanol or flexible-fuel vehicles to California for testing. The first 200 vehicles are expected to be delivered in the latter part of 1991, and 2,000 more delivered in 1992. Is lubrication of methanol vehicles still considered an important issue? It is, according to Joe Colucci, head of the GM research labs fuels and lubricants department. He says, "When you cold-start these vehicles, it takes longer compared to gasoline vehicles. Considerable fuel can get into the crankcase. Methanol is not a good lubricant; it changes the lubricating properties of the oil and forms an emulsion that looks like mayonnaise." There is a major effort to develop lubricants to overcome the problem and provide good engine durability. The cold-starting situation is also being attacked.

TRACKING TRANSPLANTS: Nearly 90,000 people are employed by Japanese automotive-related manufacturing and assembly transplants in the United States, according to the latest study by the Office for the Study of Automotive Transportation, University of Michigan Transportation Research Institute in Ann Arbor, Mich. Included are approximately 47,000 employees in the part and component sector, 17,000 in the materials and capital tools sector and 26,000 in assembly facilities. The survey was conducted during the second quarter of 1990 and released Nov. 1. While the Japanese supplier transplants produce most types of components, the most commonly supplied are chassis electrical, steering and suspension, brakes, wheels and tires.

PERCENT OF JAPANESE TRANSPLANT PART AND COMPONENT ACTIVITY BY SYSTEM GROUP

Chassis Electrical	14.0
Brakes, Wheels, Tires	13.7
Steering, Suspension	12.7
Seats	10.6
Body Structures, Bumpers	9.6
Trim, Molding	9.6
Heating, Venting, Air Conditioning	6.6
Engine	6.1
Interior Panels, Liners, Mats	6.1
Engine Electrical	5.6
Transmission, Transaxle	5.5
Exhaust, Emissions	5.1
Hardware	4.0
Plastic Components	4.0
Ball Bearings	3.5
Filters, Cleaners	2.9
Fuel Delivery Systems	2.5
Other Components	15.1

Note: Calculated by percent of responding companies. Total percentage adds to greater than 100 percent due to multiple responses. Source: OSAT Japanese Automotive Supplier Investment Directory

ON TO PHASE II: Research on the expendable pattern casting process has moved to Phase II funding with about $600,000 from the Energy Department and $600,000 from 32 industry sponsors. Phase II research will involve the Southern Research Institute, University of Alabama — Tuscaloosa; University of Missouri — Rolla; and University of Wisconsin — Madison. Focus points will include literature evaluation revisions, review of defect analysis, determination of thermophysical properties, development of a fluid-flow and solidification model. Phase I findings are available from American Foundrymen's Society, Des Plaines, Ill., which contracted with the Energy Department for the work.

TIES THAT BIND: GM's Delco Electronics Corp., Kokomo, Ind., and Saab-Scania Combitech AB, Jonkoping, Sweden, have formed a joint development company, Mecel AB, for automotive electronics. Mecel, with about 40 employees, previously was a subsidiary of Combitech, which now has a 60 percent interest. For the Saab unit the deal means a potential for new customers inside GM. For GM, it brings a technical development source in Europe. The joint company results from a 50-50 cooperation agreement between GM and Saab, which created an independent car company, Saab Automobile AB. The agreement also provided for technical cooperation between Saab Automobile AB and GM's European technical development centers.

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Country	Trade	July 1989	July 1990	Annualized trade Aug. 1988-July 1989	Annualized trade Aug. 1989-July 1990
Japan	from U.S.	$ 13,048	$ 23,171	$ 349,750	$ 465,54
	to U.S.	1,642,808	1,311,880	20,608,045	19,186,76
Canada	from U.S.	262,370	281,329	6,210,750	6,433,66
	to U.S.	682,370	985,385	12,769,594	13,483,721
West Germany	to U.S.	405,042	503,606	5,828,455	5,523,334
South Korea	to U.S.	88,671	65,377	2,228,915	1,047,083
Sweden	to U.S.	155,233	113,008	1,810,095	1,585,270
Mexico	to U.S.	155,264	208,533	1,411,292	1,210,316
Yugoslavia	to U.S.	10	0	17,903	3,891
United Kingdom	to U.S.	51,343	51,871	941,951	897,384
Italy	to U.S.	30,664	29,933	217,388	274,641
France	to U.S.	797	7,328	117,438	15,595
Brazil	to U.S.	30,518	16,246	275,255	176,200
Others	from U.S.	152,131	138,443	2,186,647	2,645,868
	to U.S.	39,312	86,080	380,107	494,409
Car and truck total	from U.S.	520,497	539,500	10,572,198	11,311,197
	to U.S.	3,896,601	3,994,057	54,401,347	51,809,700
VEHICLE TRADE BALANCE		(3,376,104)	(3,457,557)	(43,829,149)	(40,498,503)
Car total	from U.S.	427,549	442,942	8,747,147	9,545,076
	to U.S.	3,282,032	3,379,246	46,606,440	43,898,613
CAR TRADE BALANCE		(2,854,483)	(2,936,307)	(37,859,293)	(34,353,537)
Truck total	from U.S.	92,948	96,558	1,825,051	1,766,121
	to U.S.	614,569	614,811	7,794,907	7,911,087
TRUCK TRADE BALANCE		(521,621)	(518,253)	(5,969,856)	(6,144,966)
TOTAL U.S. Merchandise trade	from U.S.	29,903,400	32,026,400	350,221,100	380,920,200
	to U.S.	38,984,400	41,356,600	462,566,100	482,286,300
TRADE BALANCE		(9,081,000)	(9,330,200)	(112,345,000)	(101,366,100)

Auto trade deficit climbs 2.4%

WASHINGTON — The U.S automotive trade deficit increased slightly in July, putting an end to six straight months of decreases.

The latest trade statistics from the U.S. Commerce Department show that the trade deficit in automobiles and light trucks increased 2.4 percent compared with July 1989 levels. That followed a 1.1 percent dip in June.

The July automotive trade deficit was $3.46 billion, compared with a $3.38 billion deficit in July 1989. The total value of imports was $4 billion. Exports were valued at $540 million.

Despite the July increase, the U.S. automotive trade deficit has declined 7.6 percent over the previous year.

During that time, the value of car shipments from the United States to Japan rose 33.1 percent compared with year-ago levels. Japanese-made imports fell 6.9 percent. In the same period, Japanese automakers continued to increase production at their U.S. assembly plants.

The value of all new-vehicle imports for July was up 2.5 percent compared with year-ago levels. The value of Canadian imports increased 44.4 percent. Other countries registering increases in the value of shipments were: West Germany, 24.3 percent; Mexico, 34.3 percent; United Kingdom, 1.0 percent; France, 819.4 percent; and countries grouped as "others" by the Commerce Department, 119 percent.

The value of Japanese shipments fell 20.1 percent for the month. Other countries experiencing a decrease in the value of U.S.-bound shipments were South Korea, 26.3 percent; Sweden, 27.2 percent; Italy, 2.4 percent; Brazil, 46.8 percent. Yugoslavia exported no cars to the United States in July.

The overall gain in the value of exports was 3.7 percent in July.

Mexico's small-car prices soar

Addition of catalytic converters responsible for increases

By Stephen Downer
STAFF CORRESPONDENT

MEXICO CITY — Mexican automakers have saddled some of their smallest cars with stiff price increases in a year that has seen the widespread addition of catalytic converters.

Yet, despite the price hikes, industry observers expect combined sales of 1991 models made in Mexico for sale in the home market to total 560,000 to 565,000 units, about 10 percent more than in the 1990 model year.

Bottom-of-the-line models from Chrysler, Nissan Mexicana, General Motors, Ford and Volkswagen have absorbed price increases ranging from 8.6 to 25 percent. On larger cars — Ford's Taurus and Chrysler's New Yorker, for example — increases have been held to 8 to 11 percent.

At Nissan Mexicana, the lowest-priced Tsuru 2 equipped with a catalyst costs 14.7 percent more than a comparable 1990 model, according to Seiroku Ochi, commercial director. The price of a Tsuru without a catalyst is 24.5 million pesos ($8,448), up 4.9 percent from last year. The base Tsuru, a popular small car that competes against Volkswagen's Beetle, will be the only 1991 car sold in Mexico without the device.

Among other small cars, the Chrysler Shadow increased 25 percent to 36.6 million pesos ($12,620). GM's Cavalier rose 13 percent, to 40.3 million pesos ($13,896), while the lowest-priced Ford, the Topaz, has gone up by a similar percentage, to 32.5 million pesos ($11,206). The VW Beetle, Mexico's lowest-priced car, increased 8.6 percent.

The law that has put catalysts into widespread use this year does not mandate the devices on all cars as long as an automaker's entire fleet meets a corporate emissions average set by the government.

Nissan Mexicana has said that 25 percent of all the 1991-model-year vehicles it sells in Mexico will not have a catalytic converter. The company also builds the Hikari coupe, a station wagon and Ichivan and pickup trucks in Mexico.

This year, with the lifting of rules banning imports, Nissan Mexicana has added the 300ZX and the Maxima to its line, both equipped with 3.0-liter engines.

"For the moment many Mexicans feel that Nissan is an entry-car manufacturer only. That's not quite true. These (imported) cars will surely improve our image in the Mexican market," Ochi said.

He said Nissan plans to import 3,000 to 5,000 300ZX and Maxima vehicles this model year and import the Pathfinder in the second half of next year.

The non-turbo 300ZX, which will compete with the twin-turbo GM Corvette, will cost about 150 million pesos ($51,700) against the Corvette's 200 million peso ($68,965) price tag, Ochi said. The Maxima will be priced at about 100 million pesos ($34,482).

Nissan expects to sell about 116,000 vehicles in Mexico in the 1991 model year.

Import sales dip 10%; transplants play bigger role

By Kristine Stiven Breese
AUTOMOTIVE NEWS STAFF REPORTER

LOS ANGELES — Japanese, European and Korean nameplates all had fewer sales of imported cars in October than they did in the year-ago period.

The imports ran counter to the trend of the total U.S. car market, which was up 6.6 percent for the month. In some instances, namely with the Japanese, import declines reflected increased reliance on U.S.-built cars.

Total imported sales fell 10.3 percent for the month. European makes were off 7.3 percent. The Japanese fell 9.1 percent, and Korean cars were down 25.2 percent.

Of the 39 divisions selling imported cars, only 10 sold more last month than they did during October 1989. They are Acura, Alfa Romeo, Chevrolet/Geo, Honda, Isuzu, Lexus, Mercedes-Benz, Mercury, Mitsubishi and Pontiac.

Bright spots for the Europeans included the Mercedes 190 series, BMW 7 series, Jaguar XJS, Saab 9000 series and Porsche 944S and 911 Carerra 2.

Of the 13 Asian nameplates, four increased import sales: Acura, Isuzu, Lexus and Mitsubishi.

Acura's gains were attributable to the Integra, which sold 7,448 cars, up 40.7 percent from last October. The Legend, which is being replaced this month, faltered.

Isuzu was up 79.5 percent thanks to its new Impulse and Stylus. But the company had little presence in the passenger car market last year and now has two entries. They sold a combined 1,048 units in October.

Lexus continues its strong success. Last month Lexus sold 5,530 cars, up 61.9 percent from last October, when the franchise was just getting off the ground. Infiniti, with 934 sales of its new G20, had its best month ever as it wound up its first full year of sales. It sold 2,750 units in October.

Mitsubishi gained 1.4 percent on its imported models and 2.1 percent for its domestically built products. Sales of the Mirage and Precis were up, and 197 buyers got their hands on the new 3000GT.

Bright spots in the rest of the pack include a near doubling of imported Civic sales for Honda. And although Honda sold 3,812 fewer imported Accords than during the previous October, it sold 7,304 more Ohio-built ones.

Hyundai sold 1,719 of its new Scoupe models. Excel and Sonata were both down more than 40 percent.

Toyota's import sales declined 19.4 percent in October. But the company serves as one of the best examples of the effect domestic production can have on overall sales performance.

Sales of U.S.- and Canadian-built Camrys and Corollas were up 79.7 percent for the month. And total sales of import and domestic Toyotas increased 11.8 percent.

MARKET SHARES
Domestic, Import cars

	Oct. 1990 Sales	Pct. of Total
Subcompact	172,266	21.88
Compact	230,017	29.22
Intermediate	258,956	32.89
Standard	111,529	14.17
Specialty	14,511	1.84
TOTAL	**787,279**	**100.00**

IMPORTED SALES BY MODEL

	Oct 1990	Oct 1989	10 Mos 1990	10 Mos 1989
ACURA	**11,163**	**10,865**	**120,114**	**121,572**
Integra	7,448	5,294	73,969	66,331
Legend	3,445	5,571	45,610	55,241
NSX	270	0	535	0
ALFA ROMEO	**300**	**151**	**2,917**	**2,647**
Milano	1	51	43	1,005
Spider	108	100	1,711	1,642
164	191	0	1,163	0
ASTON MARTIN*	**5**	**5**	**50**	**50**
AUDI	**1,474**	**2,114**	**18,482**	**17,984**
4000	0	8	1	103
5000	0	37	16	341
80	237	366	3,954	3,830
90	265	309	2,971	3,933
V8 Quattro	129	134	1,546	626
Coupe Quattro	52	56	756	268
100/200	621	1,005	7,756	7,145
100/200 Quattro	170	199	1,482	1,738
BMW	**4,776**	**5,391**	**51,360**	**55,278**
3 series	2,135	2,545	24,508	27,193
5 series	1,566	1,759	17,540	16,568
635 CSi	8	99	236	1,323
7 series	961	886	8,078	8,715
850i	1	0	3	0
M3	52	87	646	868
M5	53	10	343	265
M6	0	5	7	346
CHEVROLET/Geo	**7,795**	**7,258**	**114,179**	**98,811**
Geo Storm/Spectrum	5,328	4,432	70,661	53,687
Geo Metro/Sprint	2,467	2,826	40,007	45,124
CHRYSLER MOTORS	**6,777**	**9,117**	**55,463**	**90,361**
Colt	4,423	6,018	34,247	51,226
Conquest	0	225	896	4,747
Medallion	0	83	475	3,819
Stealth	976	0	976	0
Summit	637	1,292	11,496	17,308
Vista	558	1,086	4,398	11,509
TC	183	413	2,975	1,752
DAIHATSU	**842**	**1,512**	**9,563**	**12,381**
FERRARI*	**80**	**80**	**800**	**800**
FORD Festiva	**3,656**	**5,123**	**47,188**	**61,105**
HONDA	**26,022**	**24,538**	**207,507**	**209,965**
Civic/CRX	10,007	5,029	64,389	52,793
Accord	13,351	17,163	109,278	117,896
Prelude	2,664	2,346	33,840	39,276
HYUNDAI	**10,282**	**14,663**	**113,928**	**160,705**
Excel	6,887	11,543	86,337	136,069
Sonata	1,596	3,120	25,222	24,636
Scoupe	1,719	0	2,369	0
ISUZU	**1,084**	**604**	**4,370**	**15,167**
I-Mark	36	539	1,201	10,805
Impulse	672	65	2,416	4,362
Stylus	376	0	753	0
INFINITI	**2,750**	**0**	**18,099**	**0**
M30	1,288	0	7,382	0
Q45	528	0	9,501	0
G20	934	0	1,216	0
JAGUAR	**1,089**	**1,507**	**15,180**	**15,389**
XJ6	789	1,252	11,298	11,885
XJ-S	300	255	3,882	3,504
LAMBORGHINI*	**13**	**13**	**130**	**130**
LEXUS	**5,530**	**3,416**	**50,944**	**7,970**
ES 250	1,766	1,001	17,075	2,116
LS 400	3,764	2,415	33,869	5,854
LOTUS*	**27**	**27**	**270**	**270**
MASERATI*	**20**	**20**	**200**	**217**
MAZDA	**11,373**	**13,841**	**132,322**	**157,487**
323	1,745	3,127	19,238	56,439
Protege	3,712	2,343	39,414	4,685
626	759	2,863	18,697	46,178
MX-6	36	26	202	2,165
Miata	2,747	3,145	31,353	16,670
929	1,585	1,346	11,570	16,783
RX-7	789	991	8,848	14,567
MERCEDES BENZ	**6,795**	**5,974**	**62,523**	**62,304**
190	1,516	1,096	11,809	12,003
300E 2.6/260E	425	437	2,256	4,292
300	1,847	1,996	19,941	18,602
300 SE	482	375	5,204	5,446
350SDL Turbo	168	0	964	2
350 SD	91	0	175	0
300SEL	356	240	3,121	3,227
420SEL	456	777	5,236	6,054
560SEL	334	457	3,688	4,168
SL Coupe	864	372	7,403	6,552
560SEC	122	144	1,401	1,291
Tourist	134	80	1,325	667
MERCURY/MERKUR	**6,450**	**4,503**	**35,170**	**60,878**
Tracer	4,893	3,577	26,849	53,632
Capri	1,557	0	5,699	0
XR4Ti	0	158	198	3,853
Scorpio	0	768	2,424	3,393
MITSUBISHI	**6,799**	**6,705**	**87,985**	**62,719**
Starion	0	45	18	682
Cordia	0	17	0	382
Tredia	0	0	0	12
Mirage	3,674	3,432	44,915	20,148
Galant	2,367	2,546	35,957	25,908
Sigma	46	149	1,523	1,904
Precis	437	394	4,252	14,320
3000GT	197	0	222	0
Wagon	78	122	1,098	1,660
NISSAN	**22,103**	**29,649**	**273,096**	**344,878**
Sentra	1,362	7,687	45,942	104,942
Pulsar	21	950	3,819	21,235
Stanza	4,470	3,150	69,014	37,472
Maxima	7,988	9,503	83,540	93,754
240SX/200SX	5,772	4,931	48,825	60,552
300ZX	1,900	2,275	18,777	22,876
Hawaii	590	1,153	3,179	4,047
PEUGEOT	**309**	**426**	**3,648**	**5,188**
PONTIAC LeMans	**1,950**	**1,351**	**35,952**	**42,605**
PORSCHE	**505**	**688**	**7,705**	**8,020**
924S/944	2	4	176	112
944	0	65	56	1,143
944S	189	91	2,058	442
944 Turbo	4	52	467	665
911 Carrera 4	256	281	2,912	2,146
911 Turbo	0	32	8	1,006
911 Carrera 2	118	84	1,521	1,808
928S	36	79	507	698
ROLLS/BENTLEY*	**100**	**100**	**1,000**	**1,000**
SAAB	**1,967**	**2,357**	**22,635**	**28,627**
900	312	439	4,021	5,740
900S	392	559	5,337	7,315
900 Turbo	415	684	5,804	7,683
9000S	164	223	1,859	2,380
9000 CD	387	197	2,862	2,635
9000 Turbo	289	243	2,608	2,621
Tourist	8	12	140	253
STERLING	**305**	**510**	**3,443**	**5,054**
SUBARU	**7,135**	**8,747**	**82,497**	**119,921**
Hatchback	0	112	174	2,481
3-Door	0	64	246	7,331
4-Door Sedan	0	238	392	26,975
Legacy	3,864	4,279	47,262	23,520
Loyale	2,046	1,038	20,495	9,716
XT/XT6	34	1,120	1,074	11,600
Station Wagon	0	107	263	19,652
Justy	1,191	1,789	12,525	18,647
SUZUKI	**622**	**688**	**5,815**	**5,306**
TOYOTA	**29,266**	**36,294**	**308,019**	**383,594**
Corolla	8,669	9,210	76,567	100,109
Tercel	4,534	8,530	74,347	82,433
Celica	5,886	5,407	68,250	47,808
Supra	427	781	5,684	12,982
Camry	7,167	9,345	60,266	112,840
Cressida	1,366	2,567	10,667	22,557
MR2	1,217	454	12,238	4,865
VOLKSWAGEN	**10,252**	**10,984**	**113,305**	**111,564**
Cabriolet	441	492	6,879	9,130
Corrado	475	316	4,743	826
Jetta	4,354	4,982	52,559	47,195
Golf/GTI	1,454	1,820	15,128	19,782
Passat	1,965	0	13,509	0
Quantum	1	12	31	920
Scirocco	1	8	13	862
Fox	1,561	3,354	20,452	32,849
VOLVO	**5,196**	**7,697**	**78,802**	**88,504**
240 series	1,527	2,592	28,069	35,614
740 series	2,918	3,476	40,547	39,776
760 series	550	1,061	8,366	10,439
940 series	62	0	62	0
780	124	396	854	1,997
Tourist	15	172	904	678
YUGO	**503**	**868**	**5,605**	**9,193**
IMPORT TOTAL	**195,335**	**217,788**	**2,090,266**	**2,367,644**

*Estimate

Compiled by Karen Detkowski

Sterling taps Range Rover ad agency

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Sterling Motor Cars has hired Grace & Rothschild as its advertising agency. The agency also represents Range Rover of North America Inc.

Both U.S. importers are subsidiaries of the Rover Group in Britain, but Rover maintains separate sales and marketing operations for each, at home and abroad.

Spokesmen for both Range Rover and Sterling denied the persistent rumor that Rover Group is considering merging the two U.S. companies, and they denied that having the same ad agency makes a possible merger any more likely.

"There is no change in the way Sterling Motor Cars and Range Rover do business just because we have the same ad agency," said William E. Baker, Range Rover's vice president of corporate communications.

Roy Grace, chairman of Grace & Rothschild, said his firm's success in establishing the Range Rover marque helped win the Sterling account.

Meanwhile, Sterling officials concede that Sterling's image is weak. The company has poor name recognition, and there is confusion over its connection with Honda Motor Co. Ltd.

The Sterling car was conceived through the a joint effort between Rover and Honda. It is a twin of the original Acura Legend and is powered by a Honda 2.7-liter V-6.

Grace & Rothschild is Sterling's fourth agency in three years. The previous one was New York-based AC&R/DHB & Bess Advertising Inc. Sterling began searching for a new agency last summer.

Megadealer Norman Braman owned 51 percent of the Miami-based Sterling import operation when it was formed in 1987. Rover, which owned 49 percent, bought Braman's share in May 1988. It changed the name to Sterling Motor Cars in April 1989, replacing Austin Rover Cars of North America.

Range Rover, based in Lanham, Md., outsells Sterling with its sport-utility, which starts at $42,400. Prices for Sterling's three models begin at $26,500.

Through October of this year, Sterling sales were 3,443, down 31.9 percent from the same period last year. Range Rover sales were 3,669, down 4.8 percent.

TRACKING THE OPERATIONS OF DEALER AD ASSOCIATIONS

Manufacturer	Number of dealer advertising associations	Percent of dealer body enrolled in dealer ad associations	Range of per-vehicle contributions by dealers	Use of factory ad agency required to receive factory funds?	How program works
BUICK	145	100	1 percent to 2 percent of invoice	No	Buick pays one-third of the media costs of an approved ad while the dealer group pays for two-thirds. Factory support rises to 50 percent when dealer group runs factory produced ads for special promotions.
CADILLAC	64	90	1 percent of invoice up to $300	No	Cadillac pays an average one-third of media costs. Actual factory support is up to Cadillac zone manager.
CHEVROLET	150	100	1 percent of invoice up to $300	No	Dealers collect their own funds and spend the money on media in their markets. Division runs factory produced regional ads separately from dealer association ads.
CHRYSLER-PLYMOUTH	59	99.3	Majority of dealers contribute between 0.5-1 percent of vehicle base invoice price plus up to $100	Yes	Chrysler-Plymouth contributes 10-35 percent of media costs for dealer association ads; dealers contribute two-thirds. The factory may raise support to up to 50 percent for special promotions.
DODGE	56	97.2	Majority of dealers contribute between 0.5-1 percent of vehicle base invoice price plus up to $100	Yes	Dodge contributes 10-35 percent of media costs for dealer association ads; dealers contribute two-thirds. The factory may raise support to up to 50 percent for special promotions.
FORD DIVISION	63	99	$50-$150	No	Ford distributes its market support money among its districts. The districts divide the money among the advertising groups. To receive 100 percent of market support funds, a Ford Dealer Advertising Fund group must spend 80 percent of what it collects on 6 media expenditures. The groups may use the remaining 20 percent on incentives and administrative costs.
HONDA	Acura - 30 Honda - 63	Acura - 65 Honda - 58	Acura- $150-$300 Honda - $50-$200	Acura - No Honda - No	Dealers who want to organize a group tell the importer how much they want to collect and American Honda puts it on the invoice. Honda dealers receive factory support for special programs.
JEEP-EAGLE	30	99.8	1 percent of base invoice plus $50	Yes	Jeep-Eagle pays 40 percent of dealer association media costs. For some special promotions, Jeep-Eagle will pick up the cost of producing the ad.
LINCOLN-MERCURY	29	100	$75-$290	Yes	Marketing funds are determined by the spending of individual associations. Dealers earn a share of the pot based on their spending and requests from the district ad manager and/or the association. For special promotions, L-M may shift factory ad funds to dealer ad associations.
MERCEDES-BENZ	254	98	$100-$300	Yes	Mercedes-Benz contributes $100-$300 per car in a dealer matching program. Matching funds pay for dealer association media costs; dealers can take up to 10 percent of dealer/factory money to fund non-advertising programs.
OLDSMOBILE	156	100	1-2 percent of invoice	No	Oldsmobile allocates its regional ad money among its 4 regional managers who work with dealer groups to coordinate association and regional ads which complement one another. To obtain money from Oldsmobile, association ads must receive legal clearance.
PONTIAC	160-180	95	1 percent of invoice ($40 million-$60 million)	No	Pontiac pays for $1 of dealer ad association media costs out of every $2 the dealer group spends in media.
TOYOTA	23	99	$185-$300	No	Dealers under Toyota Motors' distributor system receive variable contribution rates from the factory ranging from 10-50 percent. Toyota national sales events require dealers to use factory ads.
VOLKSWAGEN	75	92-95	$150-$400	Yes	VW dealers decide if they want a dealer association and how much they want to contribute to the fund. VW contributes 50 percent of media costs.
VOLVO	187 single point co-op dealers;[1] 37 major market groups	98	$100-$200	Yes/No[2]	For every $100 dealers contribute, Volvo matches it, plus $17.65 (to cover agency fees) for a total of $117.65. Major market dealers must use national agency to receive funds from factory; single point co-op dealers do not.

[1] Single point co-op dealers are dealers in an area where there is no organized Volvo dealer advertising group.
[2] Major market dealers must use national agency to receive support funds from factory; single point co-op dealers do not.
Source: Automotive News research

CO-OP

FROM PAGE 1

and withholding popular products.

A Midwestern Ford dealer, who approached a factory representative about getting out of his ad association and taking his ad dollars with him, was told he would have to resign his franchise if he did so. He said he paid almost $100,000 in ad association fees in 1989.

"A lot of dealers are to the point of 'what's the use?' " said the dealer, who did not want to be identified. "I think it's a joke."

Dealers in Ohio were so enraged when Chevrolet and GMC Truck Division started assessing mandatory ad fees two years ago, the Ohio Automobile Dealers Association filed a lawsuit alleging that the two General Motors divisions violated the Ohio Motor Vehicle Franchise Law by requiring dealers to join an ad group.

The lawsuit was certified as a class action on behalf of all Ohio Chevrolet and GMC Truck dealers and is pending in federal court.

Johnny Beck, owner of Johnny Beck's Jeep-Eagle in Ocean Springs, Miss., and chairman of the New Orleans zone Jeep-Eagle Council, is single-handedly challenging Chrysler Corp. In a letter to council members, Beck said: "Mandatory assessments are in violation of state motor vehicle regulations as well as state law."

He vows to get out of the association, paving the way for fellow dealers to do likewise.

At least two manufacturers have abandoned co-op advertising. They are Nissan Motor Corp. in U.S.A., once plagued with inconsistent dealer association advertising, and Suzuki of America Automotive Corp., which grew tired of fighting with its dealers. BMW of North America Inc. disbanded its ad associations and reduced the per-car regional advertising fee paid by dealers.

A high-stakes game

Because manufacturers are reluctant to disclose how much they and their dealers contribute, it is difficult to determine exactly how much is spent on co-op ads.

But the stakes are high and the dollar amounts are staggering. In 1989, dealers spent $3.8 billion on local advertising, a 6 percent decline from 1988, according to the National Automobile Dealers Association. New-car dealerships shelled out an average of $154,000 on local association and independent dealer advertising in 1989. As recently as 1980, dealers spent an average of $42,800 for local ads.

But that total does not include any of the factory co-op money, and it also excludes the major portion of the dealer money spent on co-op ads.

NADA, which gleans ad spending data from dealer financial statements, said the figures do not include most dealer ad association contributions. Most ad association fees are included in the vehicle invoice, and about 75 percent of the dealers calculate the expenditure as a cost of doing business, rather than as advertising.

Manufacturers, faced with increased competition, loss of market share and soaring media costs, say co-op advertising has become a very important slice of the automobile marketing pie. They believe it allows dealer groups to advertise in mediums most individual dealers cannot afford and with a more unified voice.

They see it as a way of increasing their share of voice. Share of voice refers to a company's ad expenditures in relation to all advertisers in its category.

To create a bigger pool of funds and to make sure everyone who benefits from the advertising helps foot the bill, many manufacturers, including GM and Chrysler Corp. made co-op ad fees mandatory.

Mandatory ad fees are assessments added to the invoice of each non-fleet, non-employee vehicle to pay for local advertising. The assessment is usually 1 percent of invoice plus $50 to $100, but it can run as high as 3 percent.

Dealers who are required to pay mandatory ad fees are not required to join an ad association. Fees collected from non-members are used by the manufacturer to pay for regional marketing in the non-members' regions.

GM went to mandatory fees two years ago when it found that its dealers' participation in ad associations was much lower than that of Ford Motor Co. and Chrysler, which had close to 100 percent participation. Chevrolet and GMC Truck instituted the program in the fall of 1988, followed by Oldsmobile and Cadillac a year later. Pontiac and Buick began the program this fall.

Many dealers, especially those in small towns and rural areas, are vehemently opposed to the program. They resent being told how to spend their ad dollars, and they argue that co-op advertising is effective in metropolitan areas, where most large dealerships are located. The small dealers say they receive few, if any, benefits.

"Personally, I don't see any benefit (in dealer co-op ad associations)," said James K. Lust, a Chevrolet-Buick-Oldsmobile dealer in Aberdeen, S.D. He is also NADA's GM industry relations chairman.

Many of the manufacturers, such as Chevrolet, return a portion of the collected fees, usually about 25 percent, to the dealer associations for local advertising.

But NADA President Ray Green said the greatest problem with mandatory advertising associations is that not enough of the money is returned to local markets.

"Dealers don't like it because they know its not working for them," said Green. "It upsets them, and I don't blame them. Major markets represent the majority of sales, but they don't represent the majority of dealers."

Saturn is different

The exception to GM's co-op advertising rule is its new Saturn Corp. Saturn dealers are not members of traditional co-op groups.

Instead, Saturn has established a regional marketing council that consists of one dealer representative from each of its six regions, and representatives from Saturn marketing and Hal Riney & Partners of San Francisco, Saturn's advertising agency.

Unlike other GM franchisees, which are assessed 1 percent of invoice to pay for regional and local dealer association advertising, Saturn dealers pay a flat rate of $150 per vehicle into the regional marketing program. Saturn pays for the creation of ads; the dealer contributions pay media costs.

The councils meet quarterly to determine how the money will be spent. The regional dealer representatives meet with dealers in their areas before attending the council session.

Russ Hand, a dealer in Marina Del Rey, Calif., represents Saturn's Western region, which includes California, Oregon, Washington, Idaho, Nevada and Arizona.

He said the program will allow the purchase of spot television and other media regionally, which is less expensive than buying it city

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CO-OP

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by city.

Last August, Pontiac and Buick began assessing dealer ad fees. Buick is spending $20 million in factory support funds, and Pontiac is spending $20 million to $30 million in the 1990 calender year, factory sources said. Oldsmobile is funneling about $25 million into co-op advertising, according to an industry source.

Last July, Ford Division, in its quest to catch Chevrolet in car sales, pumped an additional $11 million into its dealer advertising associations fund. Lincoln-Mercury dealer groups received an additional $6 million.

Dealers step up efforts

Some dealer groups, either on their own or because of what some members perceive as pressure from their factories, have stepped up their efforts as well.

For example, last July, when the Cincinnati-area Dodge dealer group voted to double its ad fees, several members were angry and charged that the decision was made by the factory and pushed onto dealers. Starting in January 1991, dealers will pay 1 percent of invoice plus $100, up from the current 0.5 percent plus $50.

On the other hand, in September 1989, Ford Division began allowing its dealers to collect local advertising funds by putting a 1 percent charge on the invoice price of new cars and trucks. Ford dealer groups may choose between paying a per-vehicle amount or 1 percent.

One Ford dealer group taking advantage of the program is the Greater Michigan Ford Dealer Advertising Fund group. In September, it voted to assess its members 1.5 percent of invoice of each vehicle which is to be no less than $150 and no more than $250. The group, which currently pays a flat rate of $120 per vehicle, has not determined when the measure will go into effect.

Craig Weidner, owner of Weidner Motor Sales in Cadillac, Mich., and president of the 118-member association, said the group raised its fees to meet higher media costs and to remain competitive.

"We can react more quickly to the market and be on (television) with an urgent message," he said.

While unique advertising is the main thrust of many dealer ad associations, the manufacturers often want dealers to help them develop a clear, consistent message.

Some makers, including L-M, Mercedes-Benz and Chrysler's divisions, require dealer groups to use factory-appointed advertising agencies if they want to receive co-op payments.

Extra lures

To encourage associations to use more manufacturer-supplied ads and/or programs that tie in to national programs, several manufacturers increase co-op spending or offer special incentives.

While Toyota ad groups are not required to use factory-produced advertising, those that used ads promoting the "Toyota Shopping Time" national campaign at the end of the 1990 model year were given more money from the factory than groups that did not.

Dealer groups that do not have to use factory-appointed agencies to receive the matching funds still must submit the ads to their own legal counsel or to the manufacturer's legal department to make sure the ads are legally accurate.

Some dealers are unhappy with the finished product.

"Dealer's want to kick, bite and scratch in the ads, but they come out somewhat sterile," said a Michigan Ford dealer.

Daniel Burns, NADA industry relations representative for Oldsmobile and owner of Dan Burns Oldsmobile in Delray Beach, Fla., said that after GM's legal department finishes with an ad, it is as exciting as "kissing your sister."

Realizing that co-op advertising is a sensitive area, manufacturers say they try to be flexible.

Volvo Cars of North America, which made $16 million available to assist dealers with local and regional ad programs in 1990, prefers that its dealers use factory ads, but will on occasion accept dealer-developed ads, said Peter Smith, dealer advertising manager.

Mercedes-Benz of North America Inc. dealers who do not like the ads offered by the manufacturer may work with Mercedes to develop ads that satisfy both parties. Mercedes is assisting its dealers with $13 million in 1990.

Buick has added a twist to its program. Like the programs at other GM divisions, 25 percent of the fees collected are returned to dealers for individual advertising. As an incentive, Buick dealers whose monthly advertising expenditures exceed the amount returned are eligible to receive an additional 25 percent of that amount.

Eagle support declines

Jeep-Eagle, in an effort to help ease the transition from American Motors to Chrysler, paid 60 percent of the dealer advertising groups' media costs in 1988 and 1989. In 1990, the factory support dropped to 40 percent. Dealer reaction ranged from anger to acceptance.

The Greater Detroit Jeep-Eagle Dealers Association, in response to the decline, increased its ad fees from 1 percent of invoice to 1.25 percent plus $50 as of Oct. 1.

Joe Ricci, chairman of the Detroit Jeep-Eagle group, said it increased its fees because advertising is crucial to Eagle, which has yet to find its niche in the market.

"Anytime you take a cut on an unknown nameplate such as Eagle, it affects your sales," said Ricci, who owns two Jeep-Eagle stores in metropolitan Detroit.

"If you want to sell a product, you keep the name of the product out there. When we don't advertise, we see a drop in business. But there's only so much the company can do based on budget."

Suzuki, Nissan bail out

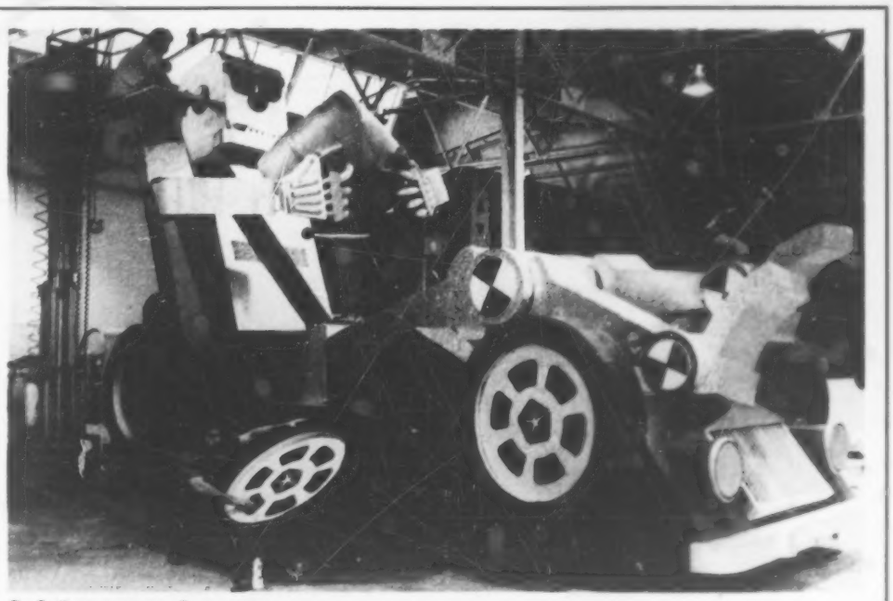
A few import firms have given up on dealer ad associations — at least for now.

Last April, Suzuki stopped assessing its dealers ad association fees and made association participation voluntary. Thomas Meyers, Suzuki national advertising and public relations manager, said the firm did so because most of its ad associations lacked full cooperation and support of dealers.

Of Suzuki's 290 dealers, 40 remain in ad associations, he said.

Nissan disbanded its dealer ad associations and dropped its assessment about two years ago in the "interest of creating a more unified image and to get more bang for our dollar," said John Rinek, Nissan national advertising communication manager. "We had areas where the advertising was good; some areas were not as strong. The image was not consistent."

The associations were replaced by five regional advertising offices that are funded solely by Nissan.



Safety on parade

Workers put the finishing touches on the world's largest air bag featured in the Chrysler Corp. entry for the Michigan Thanksgiving Day Parade in Detroit. Two vacuum cleaners will inflate within seven seconds, a tad slower than the "half a blink of an eye" it takes to inflate a real air bag.

Lutz finds silver lining for trucks

Shorter product cycles will help meet federal rules, he says

By Joseph Bohn
TRUCK EDITOR

Shorter product life cycles may be the key to meeting future federal standards for light trucks, according to Robert A. Lutz, president of Chrysler Motors.

At the annual SAE Truck & Bus Meeting, Lutz said light-truck engineers will face two distinct challenges in the next decade: shorter product life cycles and new regulatory standards. But one could provide the solution to the other.

Lutz

"Shorter product life cycles will enable you to meet the regulatory burden more easily," Lutz said. "If you're changing your trucks more frequently, it'll be that much easier to keep up with whatever new changes come down the pike on safety, fuel economy and emissions."

Lutz said both the customer and competition will force future trucks to follow the passenger-car trend of shorter life cycles.

"It used to be you could get away with changing a truck in this country every 10 or 15 years," Lutz said.

Some models, like the Jeep Grand Wagoneer, have gone more than 20 years without a major change.

The new Ford Econoline and Club Wagon, which are being restyled for 1992, have not had a major change since they were introduced as 1975½ models.

Similarly, the Chevrolet Blazer/GMC Jimmy, also being restyled in 1992, have not had a major change since 1969, a Chevrolet spokeswoman said.

"But that's all changing today," Lutz said. "Part of the reason is the growth of the so-called 'crossover' market — all those baby boomers out there driving minivans, sport-utilities and personal-use pickups."

He said that while those people are beginning to drive trucks, they expect the car-like attributes of regular design freshenings and continual technological updates.

Increased competition will also demand more frequent truck updates.

"The Japanese have taken life cycles for small pickups and other trucks down to five years," Lutz said, "which is almost as low as on cars."

He called that a "moving target we all need to shoot at."

Lutz noted continuing rumors of Japanese companies getting into the full-sized truck market: "In this new era of transplants here in America, I'd say anything is possible."

To meet the new competitive challenges, engineers must become more focused in their education, he said.

"This country already has enough MBAs and lawyers," he said. "What America needs to compete in the world is more people who know how to create and build things."

Lutz said he and Francois Castaing, Chrysler vice president of vehicle engineering, are on a "crusade" to encourage Chrysler engineers who are thinking of pursuing advanced degrees to get a master's or a doctor's degree in a technical field instead of business administration.

Wash. lemon law survives Ford's appeal

By Helen Kahn
SENIOR CORRESPONDENT

Washington state's highest court has unanimously upheld the constitutionality of its lemon law.

Ford Motor Co. challenged the law, claiming it violated the equal protection and due process provisions of the state and U.S. constitutions.

The case involved a court-ordered buyback of a 1985 Ford Thunderbird, purchased by Gary Barrett, with allegedly defective steering.

Ford acknowledged that the defect constituted a serious safety defect but appealed, saying the repurchase requirement was unconstitutional.

While the case was under appeal, Ford was assessed attorney fees and continuing damages of $25 a day beyond a 40-day grace period because it refused to provide free use of a loaner.

An almost identical case is awaiting decision in Florida, where Mercedes-Benz of North America Inc. has challenged the constitutionality of that state's lemon law. The same provisions that have now survived Washington's courts exist in the model lemon law being proposed by the National Conference of State Legislatures.

In its appeal, Ford claimed the law was unfair since the consumer could appeal "without risk."

The court upheld the lemon law's classification of consumers and manufacturers as "rational and justified."

The lemon law itself justified the distinction by noting manufacturers are better able to improve quality and provide service and are more knowledgeable of their legal rights. Consumers, meanwhile, are at risk of injury and must bear the hardship of defective cars.

In short, says the court, "Equal protection does not require that legislative efforts be perfect."

Finally, the court says the restrictions on Ford's right to appeal did not abridge due process, which does not in any case guarantee the right of appeal.

A Ford spokeswoman said the company was disappointed by the decision. She said it was too early to say if Ford would appeal.

Chrysler hikes rebates; Jaguar offers 'owner loyalty' lure

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp. last week announced new and enhanced consumer rebates on trucks, effective through Dec. 16, and Jaguar Cars Inc. offered a $5,000 "owner loyalty" incentive on the purchase of all 1990 and most 1991 models.

Rebates of $1,000 now apply to all 1989 and 1990 Chrysler, Plymouth and Dodge minivans, including short-wheelbase models, which were not covered previously. The payback on long-wheelbase minivans formerly was $500.

A $700 rebate is now in effect on 1991 Jeep Cherokee, Laredo, Limited and Briarwood models, and a $500 rebate is in effect on 1991 Cherokee base and Sport models. Also, the rebate has been increased from $300 to $700 on the 1991 Comanche, except the two-wheel-drive short-bed model, which has been boosted from $300 to $500.

The rebate also has been increased from $300 to $700 on the 1991 Dodge Dakota pickup, except the S model, which has been hiked from $300 to $500.

Instead of the rebates, buyers may choose financing of 7.9 percent for 48 months or 10.9 percent for 60 months.

Jaguar is mailing certificates to the original owners of 1988 Jaguar sedans, offering $5,000 toward the purchase from dealer inventory of any leftover 1990 model or any 1991 model except the XJ6.

Deliveries must be made between Nov. 15 and Dec. 31.

Staff Reporter Jim Henry contributed to this report.

Jaguar's Vanden Plas sedan: Owners of 1988 Jaguar sedans can get a $5,000 incentive on 1990 or 1991 models except XJ6.

INCENTIVE WATCH
CUSTOMER INCENTIVES

	Rebates	Expiration Date
Chrysler Corp. (1989-90)		
Chrysler	$500-2,000	12/16
Town & Country	$1,000	12/16
Dodge cars	$1,000-2,500	12/16
Dodge trucks	$750-2,500	12/16
Eagle	$1,000-2,500	12/16
Jeep	$1,000-3,000	12/16
Plymouth	$1,000-1,300	12/16
Voyager	$1,000	12/16
Finance rate, in lieu of rebate, starts at 7.9 percent		
Chrysler Corp. (1991)		
Chrysler	$500-750	12/16
Dodge cars	$400-1,000	12/16
Dodge trucks	$500-750	12/16
Eagle	$400-500	12/16
Jeep	$500-3,000	12/16
Plymouth	$400-500	12/16
Ford Motor Co. (1990)		
Festiva	$700	12/11
Escort	$1,000	12/11
Ranger	$1,500	12/11
Lincoln	$1,500	12/11
Ford Motor Co. (1991)		
Ford cars	$500-750	12/11
Ford trucks	$500-1,000	12/11
Mercury	$500-750	12/11
Finance rate, in lieu of rebate, starts at 7.9 percent. Rebate on 1991 Crown Victoria expires Jan. 31, 1991		
General Motors (1990)		
Buick Reatta*	$3,000	12/12
Other Buick*	$250-1,000	12/12
Cadillac	$1,500	12/12
Chevrolet Geo	$500-1,250	12/12
Other cars	$500-1,000	12/12
Geo Tracker	$1,000	12/12
Other trucks	$500-1,000	12/12
Oldsmobile	$1,500-2,500	12/12
Pontiac	$500-1,900	12/12
*Based on option package selected. All makes except Cadillac offer cut-rate financing in lieu of rebates		
General Motors (1991)		
Buick Reatta*	$3,000	12/12
Other Buick*	$250-1,000	12/12
Cadillac Brougham	$1,500	12/12
Chevrolet Geo	$500-800	12/12
Other cars	$500-1,000	12/12
Geo Tracker	$500-1,000	12/12
Other trucks	$500-1,000	12/12
Oldsmobile	$500-1,500	12/12
Pontiac	$500-750	12/12
*Based on option package selected. All makes except Cadillac offer cut-rate financing in lieu of rebates		
Hyundai (1990)	$500-1,250	12/3
Jaguar (1988-91)	$5,000 for owners of '88 Jaguars	12/31
Mazda (1990)		
Cars	$750-1,500	1/3
Trucks	$1,000-1,250 plus free trim package	1/3
MPV	$885-1,248 discount on option packages	1/3
Subaru (1990)		
Loyale	$300-1,050	1/3

Note: Some makers offer rebates to buyers of 1988 and 1989 models. Those programs are omitted from this table because of the limited number of those vehicles still in dealers' hands.

INCENTIVE WATCH
DEALER INCENTIVES

	Rebate	Expiration Date
Chrysler Corp. (1989-91)		
Cars & trucks	$250-1,000, quota	12/31
Ford Motor Co. (1990)		
Ford cars	$1,000-1,400	12/11
Taurus SHO	$3,000	12/11
Trucks	$1,100-1,500	12/11
Mercury	$1,000-1,500	12/11
Audi (1990)		
100 Series	$3,000	12/31
Hyundai (1990)	$150-500, quota	12/3
Isuzu (1990)		
Impulse	$1,500	12/31
Trooper	$1,700	12/31
Pickup	$1,700	12/31
Mitsubishi (1990-91)		
Mirage	$500-1,000	12/31
Other cars	$350-2,000, quota	12/31
Trucks	$350-2,000*	12/31
*Some truck rebates are based on quotas. Mitsubishi rebates vary by region		
Nissan (1990)		
Sentra	$500-1,500	12/31
Stanza	$800-1,500, based on number sold	12/31
Maxima	$200-700, based on number sold	12/31
240SX	$1,000-2,000, based on number sold	12/31
Trucks	$1,200	12/31
Nissan (1991)		
Trucks	$400-800, based on number sold	1/4
Peugeot (1989)		
405	$2,500-3,500	None
Subaru		
Justy (1990-91)	$500	1/3
XT (1989-91)	$2,000	1/3
Loyale (1990)	$800-1,500, quota	1/3
Legacy (1990)	$1,500-2,000, quota	1/3
Legacy (1991)	$900-1,400, quota	1/3
Suzuki (1990)		
Swift	$400-1,000, based on number sold	12/3
Sidekick	$1,000-2,000, based on number sold	12/3
Suzuki (1991)		
Swift	$500-1,000, based on number sold	12/3
Sidekick	$500-1,000, based on number sold	12/3
Toyota (1989-91)		
Corolla, Camry	$200-1,100 quota	1/3
Trucks	$200-1,200 quota	1/3
Volkswagen (1990)		
Golf	$500	12/31
Fox	$500	None
Corrado	$1,500	None

Note: Some makers offer rebates to dealers on sales of 1988 and 1989 models. Most of those programs are omitted from this table because of the limited number of those vehicles still in dealers' hands.

KOHRS

FROM PAGE 2

using lighter materials to reduce weight and multi-valve engines to cut fuel consumption.

He will have to get his ideas through his boss, Alex Trotman, executive vice president of North American Automotive Operations, and Ford's corporate product planning committee, which includes Trotman, Ford Chairman Harold "Red" Poling, Ford President Philip Benton and the chief of the Automotive Group, Allan Gilmour.

After joining Ford in February 1962, Kohrs spent 15 years in truck engineering, where he worked on winners such as the early Bronco and F-series models. He switched to the car side in the late 1970s, when Ford was, by Kohrs' admission, building "stodgy, boxy" cars.

As executive director of mid-sized programs and, later, of luxury and mid-sized car platforms, he worked on the aerodynamic 1983 Thunderbird/Cougar, the 1984 Mark VII, and the early development stages of the new 1986 Taurus/Sable.

During development of the Taurus/Sable, Kohrs says, "The thing that had the biggest impact on me was: What do the customers really want, and are you brave enough to get out ahead of ... present competition?"

Kohrs has been asking himself the same question these days as both import and domestic competitors have followed Ford into aerodynamic styling.

"I think the aero look has run its course in being different," he says. "When consumers look at our cars they are tending to look alike. They all have smooth lines, they all have rising belts, they all have high decks."

"I think the next wave is how to change the architecture of that car. One way is to move the cab forward, wheels at the corners, which some of the European cars have already done. You've got to really squint to see that that car is really different from the rest of the pack. I think that's the way we will go."

Downsizing and weight

Even as Ford is asking its designers to make its cars look different from competitors', the government is asking manufacturers to add safety equipment, such as airbags and door reinforcements, while increasing fuel economy.

Kohrs says Ford will approach the problem in two ways. One is to maintain the size of the interior passenger space while reducing the exterior — in other words, downsizing current products.

"That's probably the more risky approach because you have to break new ground on style, break new ground on sizing; what is a Taurus today may be a smaller Taurus tomorrow," says Kohrs, who added that being the first manufacturer to downsize is risky.

The second way will be to use lighter materials, such as plastic and aluminum, to reduce weight. Engineering sources say Ford is already planning to use aluminum heads and blocks in the engines for its 1994 Continental and 1993 Mark VIII. A plastic hood is also scheduled to appear on the 1994 Continental. Kohrs says these lighter materials will be more expensive but more efficient.

> To emphasize the importance of weight in meeting fuel economy standards, Kohrs says Ford engineers have been given a one-ounce coin carrying the inscription: "Every ounce counts."

"We'll probably end up doing a little of both" downsizing and increasing the use of lighter materials, Kohrs says.

To emphasize the importance of weight in meeting fuel economy standards, Kohrs says Ford engineers have been given a one-ounce coin carrying the inscription: "Every ounce counts."

Alternative fuels

Kohrs is also looking carefully at developing flexible-fuel vehicles, which can run on both gasoline and on alternative fuels such as methanol.

Ford is proceeding with developing an electric car, while competitor General Motors has tentatively planned to produce its electric Impact car. Kohrs calls the Impact a good blend of a highly stylish vehicle with a specific purpose, but said it has had no bearing on when or if Ford will bring an electric vehicle to market.

Ford has exposed its electrically powered Aerostar experimental van to the public.

He says GM has "gotten a lot of good publicity (with Impact), but they are no farther ahead than we are" in developing an electric vehicle.

"We are quite a ways away" from announcing the production of an electric vehicle, Kohrs says.

Reducing cycle times

Kohrs is also looking for ways for Ford to reduce its cycle time on cars, which has been running from six years on the 1989 Thunderbird to 10 years on the 1990 Lincoln Town Car, while the Japanese have all-new products every three to four years. He says Ford is trying to shorten every segment of the product development process.

"The Japanese started earlier and are masters in understanding process, as opposed to just looking for the results," he says. "And American industry in general has been results-oriented as opposed to looking at the process that you do the job."

"I don't think there is any magic in what the Japanese are doing — we just have to do it equally as well."

Kohrs says he believes Ford and other manufacturers around the world will make moderate styling changes two to four years after introducing a car. But major platform changes will be done only every six to 10 years, depending on the segment.

In the past, Ford has said that its large sedans (such as the Town Car and Grand Marquis) don't need freshening as frequently as the style-sensitive cars like Thunderbird and Cougar. Kohrs adds that less technically complex cars are easier to develop in 36 months than more technically complex cars. He mentioned that the Lexus LS400 took six to eight years to develop, while the new Escort took about four years.

Product in the Poling era

Kohrs disputes reports that the product-oriented days that characterized the reign of former Chairman Donald Petersen, an engineer, are history under Poling, who has a finance background.

"They are two different types of personalities, but I don't think the end result will be much different," says Kohrs, who worked with Petersen at truck operations.

"Don Petersen was very much a product man, but very much of a businessman as well," Kohrs says. "His real interest lay in style and function, and therefore he became far more involved in the engineering side. Red Poling is the epitome of a tremendously good businessman, and I think he would acknowledge that he is not the person who can go over to the design center or the engine design lab and direct what you should be doing."

"In a way, as an engineer that has a lot of positive to it. Because what I get from Red is ... you set the strategy you want, you let me buy into that strategy, and you deliver it."

EXPORTS

FROM PAGE 2

bile Division of Peugeot S.A.

Indeed, many analysts expect exchange rates to have an important effect on the 1990 earnings of the Big Three German exporters, Daimler-Benz AG, Volkswagen AG and BMW AG.

"If this sort of rate prevails next year I don't think they would make a profit in the U.S.," said Peter DuPont, auto analyst at Phillips & Drew in London.

"This is the most difficult problem they face right now."

Still, if the squeeze on major European exporters like Mercedes-Benz, BMW and Volvo is severe, no one really expects a withdrawal by companies with such big stakes in the American market.

"They are just going to have to bite the bullet," said DuPont. "The volume is so significant for them that they can't pull out."

Rather, it is the small specialty makers, like Bitter, and bigger companies looking for a U.S. beachhead, that have generally had to put aside their American hopes.

"I think a Bitter should be sold in the U.S. for about $65,000; at the moment, we would have to price it at $72,000" because of the dollar's tumble, Bitter said.

Indeed, he said, the Type 3 was slated to sell in the mid-$30,000 range when the Isuzu deal was set in 1987.

Bitter, who works out of a small workshop near Dusseldorf, is proceeding with scaled-back plans to produce about 500 Type 3s a year at a site he has not yet picked. He hopes to begin production next September, but is not sure if any of his cars will find their way to the United States.

"The dollar is so low at the moment that under the circumstances of our smaller quantities, maybe we don't need America. It is quite difficult for European cars in the U.S.," he said.

Other companies, big and small, have shelved plans to export to the U.S. market because of the enormous dollar barrier.

AB Volvo's Dutch affiliate, Volvo BV, three years ago called off plans to export its 480 sport hatchback to the United States because of exchange rates — even though the car was conceived for the U.S. market. Company officials say they won't consider reviving the project unless the dollar hits a sustained level of 2.00 against the mark.

Five years ago, the Spanish carmaker Seat S.A. said it expected to be in the U.S. market "by 1989." One year later — despite the readymade U.S. distribution network it enjoys through its parent, Volkswagen — Chairman Juan Antonio Diaz Alvarez said Seat won't even begin to consider U.S. sales for at least three years.

Currency rates have been a major factor in several other broken import dreams. Lincoln-Mercury's Merkur upscale franchise from Ford of Germany withdrew last year and GM's German unit, Adam Opel AG, has tabled its U.S. import plans indefinitely.

Exchange rates also helped spell doom last year for the Maserati-built Chrysler TC luxury convertible — yet another project conceived in the mid-1980s.

Italy's Bertone decided against replacing its X 1/9 two-seater, largely because it couldn't build a car to compete in the X 1/9's affordable roadster niche in the United States. That left Bertone's U.S. network without a product. Similarly, France's MVS last year put aside plans to sell the Venturi roadster in the United States.

Group Lotus, now owned by General Motors, had hoped to reenter the affordable roadster segment that its Elan occupied in the 1960s. But currency rates mean that the new Elan, due in the U.S. this winter, will probably have a price-tag approaching $40,000.

Britain's TVR sold roadsters in the United States until about 1984, and largely made its reputation in America in the 1950s. But though the company showed two new models at the recent Birmingham Show — the 3.9-liter, V-8-powered Griffith two-seat convertible and the Speed Eight 2+2 convertible — there are no plans to return. Company officials cite the bleak currency situation.

Similarly, the Peugeot-powered, Ford Barchetta-like Max roadster by the Dutch firm Max Motors, which is now in pre-series production, is no longer planned for U.S. distribution.

"At this moment it would be difficult to sell in the states unless we manufactured it there," said Eric Spronk, the car's designer and company founder.

Despite the tough selling conditions and pressure on margins, however, Helmer said Peugeot plans to introduce its 605 sedan in the United States in the foreseeable future and that stablemate Automobiles Citroen will launch its XM there — although on a small scale.

PRODUCTION

U.S. CAR

	Week Ended Nov. 17, 1990	Week Ended Nov. 10, 1990	Nov. to Date	Jan. 1 to Nov. 17, 1990	Jan. 1 to Nov. 18, 1989
Horizon	0	0	0	4,327	30,765
Sundance	0	2,350	3,292	79,070	91,819
Acclaim	3,100	3,045	7,333	106,651	115,646
Total Plymouth	**3,100**	**5,395**	**10,625**	**190,048**	**238,230**
LeBaron A	0	0	0	8,071	0
LeBaron J	0	1,475	1,984	46,487	85,779
LeBaron GTS	0	0	0	0	2,946
N. Yorker C-Class	150	420	773	33,492	71,002
Fifth Avenue	1,050	1,047	2,534	33,066	23,404
Imperial	400	457	1,036	17,412	3,190
Total Chrysler	**1,600**	**3,399**	**6,327**	**130,528**	**186,321**
Omni	0	0	0	4,078	32,840
Daytona	0	761	1,029	30,577	66,925
Shadow	0	2,435	3,414	86,952	91,894
Dynasty	3,000	3,026	7,196	108,211	119,361
Lancer	0	0	0	0	1,528
Spirit	2,350	2,446	5,791	94,246	99,148
Total Dodge	**5,350**	**8,668**	**17,432**	**324,064**	**411,686**
CHRYSLER MOTORS	**10,050**	**17,462**	**34,386**	**652,640**	**836,237**
Escort	5,808	5,807	14,475	228,897	319,314
Mustang	2,726	2,917	7,131	122,954	171,986
Tempo	2,987	0	3,920	113,915	133,587
Taurus	7,275	0	10,109	300,987	324,430
Thunderbird	0	0	1,109	100,755	128,222
Total Ford Div.	**18,796**	**8,724**	**36,744**	**867,508**	**1,077,539**
Topaz	1,002	0	1,306	42,634	60,460
Cougar	0	0	472	66,326	109,807
Sable	1,969	0	2,768	92,785	108,076
Total Mercury	**2,971**	**0**	**4,546**	**201,745**	**278,343**
Continental	1,124	969	2,565	53,184	58,464
Mark VII	198	157	438	17,079	18,957
Town Car	2,670	2,259	6,038	133,014	112,015
Total Lincoln	**3,992**	**3,385**	**9,041**	**203,277**	**189,436**
Total L-M Div.	**6,963**	**3,385**	**13,587**	**405,022**	**467,779**
FORD MOTOR CO.	**25,759**	**12,109**	**50,331**	**1,272,530**	**1,545,318**
Skyhawk	0	0	0	0	6,913
Skylark/Somerset	2,500	2,523	5,858	85,356	59,475
Century	0	0	622	59,298	113,655
Riviera	0	555	789	19,979	18,311
Electra/Park Ave.	0	2,938	4,094	56,981	71,846
LeSabre (rwd)	1,876	3,121	6,478	144,841	138,998
LeSabre (rwd)	0	0	0	4,022	6,981
Reatta	0	0	0	5,277	5,631
Total Buick	**4,376**	**9,137**	**17,840**	**375,754**	**421,810**
Eldorado	0	466	663	18,932	26,833
Seville	0	759	1,061	30,611	20,569
Brougham (rwd)	705	693	1,819	28,082	49,159
DeVille (fwd)	2,030	4,793	7,795	147,423	165,092
Allante	0	0	35	3,290	2,842
Total Cadillac	**2,735**	**6,711**	**11,373**	**228,338**	**264,495**
Cavalier	8,310	9,727	21,923	319,077	325,635
Camaro	0	0	835	66,740	91,031
Celebrity	0	0	0	0	70,720
Corsica/Beretta	2,160	2,165	6,811	250,927	329,339
Caprice	0	2,063	3,171	186,701	150,676
Corvette	325	0	549	20,867	22,634
Total Chevrolet	**10,795**	**13,955**	**33,289**	**844,312**	**990,035**
Calais	1,820	1,817	4,586	93,534	80,203
Cutlass Ciera	0	0	433	60,744	70,446
Cutlass Supreme	2,178	2,221	5,251	86,105	103,550
Toronado	0	370	525	13,857	8,547
88 (fwd)	1,211	2,450	4,475	93,723	130,294
88 (rwd)	0	0	0	1,223	6,996
98	82	401	645	38,186	65,048
Total Oldsmobile	**5,291**	**7,259**	**15,915**	**387,372**	**473,084**
Sunbird	4,200	4,200	10,044	149,011	135,752
Grand Am	4,800	4,837	11,652	197,193	204,775
Firebird	0	0	445	38,956	52,068
Grand Prix	0	0	1,276	106,648	114,830
Pontiac 6000	0	0	366	47,941	71,510
Bonneville	0	1,655	2,313	69,127	84,447
Safari/Parisienne	0	0	0	0	2,691
Total Pontiac	**9,000**	**10,692**	**26,096**	**608,876**	**666,053**
Total Saturn	**1,331**	**1,331**	**3,984**	**5,893**	**0**
GENERAL MOTORS	**33,528**	**49,085**	**107,597**	**2,450,545**	**2,815,517**
DIAMOND-STAR	**3,283**	**3,286**	**7,896**	**135,819**	**78,272**
HONDA	**9,948**	**9,744**	**22,443**	**302,433**	**329,095**
Civic	1,500	1,759	3,855	93,855	121,132
Accord	7,540	7,985	18,588	296,578	206,963
MAZDA†	**4,111**	**4,293**	**10,035**	**161,344**	**184,719**
NISSAN	**2,800**	**3,234**	**7,376**	**84,631**	**105,055**
NUMMI	**5,000**	**4,407**	**11,497**	**183,329**	**176,640**
Corolla	2,500	2,233	5,778	92,216	72,497
Geo Prizm/Nova	2,500	2,174	5,719	91,104	104,143
SUBARU-ISUZU	**1,250**	**1,286**	**2,957**	**28,754**	**3,822**
TOYOTA	**4,535**	**4,520**	**10,885**	**196,576**	**131,959**
TOTAL CARS, U.S.	**99,446**	**109,396**	**265,374**	**5,557,992**	**6,295,634**
TOTAL CARS, CANADA	**22,330**	**24,187**	**57,420**	**963,061**	**891,560**
U.S., CANADA CARS	**121,776**	**133,582**	**322,794**	**6,521,053**	**7,097,294**
U.S., CANADA CARS AND TRUCKS	**193,538**	**205,184**	**504,966**	**10,811,611**	**11,544,309**

Monthly estimates may contain error of one or two units due to rounding.
†Total includes MX-6, 626, and Ford Probe

CANADIAN CAR

	Week Ended Nov. 17, 1990	Week Ended Nov. 10, 1990	Nov. to Date	Jan. 1 to Nov. 17, 1990	Jan. 1 to Nov. 18, 1989
Monaco	0	622	848	9,744	0
Premier	0	596	830	11,305	30,848
CHRYSLER MOTORS	**0**	**1,218**	**1,679**	**21,049**	**30,848**
Tempo	0	0	1,179	98,314	115,952
Topaz	0	0	299	36,111	51,923
Crown Victoria	2,927	2,919	6,928	108,568	105,850
Grand Marquis	2,793	2,732	6,746	102,286	114,116
FORD MOTOR CO.	**5,720**	**5,651**	**15,153**	**345,279**	**367,841**
Celebrity	0	0	0	20,319	22,765
Cutlass Ciera	1,780	1,781	4,287	70,215	108,823
Lumina	5,385	5,451	12,977	200,034	159,822
Regal	2,615	2,710	6,365	90,250	70,205
GENERAL MOTORS	**9,780**	**9,942**	**23,629**	**380,818**	**361,615**
CAMI	**2,200**	**2,618**	**5,756**	**40,132**	**0**
HONDA	**2,150**	**2,341**	**5,349**	**92,936**	**75,970**
HYUNDAI	**1,000**	**738**	**2,082**	**22,420**	**12,980**
TOYOTA	**1,300**	**1,499**	**3,342**	**54,233**	**15,172**
VOLVO	**100**	**100**	**432**	**7,145**	**7,234**
TOTAL CARS, CANADA	**22,330**	**24,187**	**57,420**	**963,061**	**891,560**

U.S. TRUCK

Caravan	1,800	1,801	4,249	81,108	96,438
Dakota	0	2,012	2,744	65,185	84,313
Caravan C/V	0	0	0	4,171	5,955
Ram pickups	0	1,968	2,854	93,172	82,640
Total Dodge	**1,800**	**5,781**	**9,846**	**243,636**	**269,346**
Cherokee	3,900	3,957	9,379	141,087	191,526
Comanche	300	316	774	8,604	24,092
Grand Wagoneer	0	0	132	5,924	6,777
Wagoneer	100	107	248	3,589	7,162
Total Jeep	**4,300**	**4,380**	**10,532**	**159,204**	**231,057**
Voyager	1,500	1,494	3,546	74,535	90,132
Town & Country	35	46	93	2,189	3,090
Total C-P Div.	**1,535**	**1,540**	**3,639**	**76,724**	**93,222**
CHRYSLER MOTORS	**7,635**	**11,701**	**24,016**	**479,564**	**594,225**
Aerostar	3,853	3,065	8,530	188,017	198,789
Bronco	0	0	376	43,469	64,232
Bronco II/Explorer	6,735	5,405	14,694	185,893	106,490
Navajo	366	317	827	6,880	0
Econoline	1,984	2,018	5,308	156,776	193,028
Mediums/Heavies	0	1,168	1,632	44,747	51,163
Light trucks	7,575	4,413	14,499	403,846	468,114
Ranger	7,963	6,587	17,625	261,159	280,163
Total Ford Div.	**28,476**	**22,973**	**63,490**	**1,290,787**	**1,359,979**
FORD MOTOR CO.	**28,476**	**22,973**	**63,490**	**1,290,787**	**1,359,979**
Astro	2,920	3,031	7,020	118,111	145,250
Blazer	0	0	0	14,316	23,471
Lumina APV	0	0	757	74,764	13,697
Mediums/Heavies	396	408	953	8,929	6,950
P-Model	615	594	1,461	19,737	26,784
Pickups	48	35	3,137	362,702	356,790
S-10	5,714	3,901	11,960	217,127	214,709
S-10 Blazer	2,269	1,620	5,025	75,147	156,326
Sportsvan/Van	0	0	618	53,360	85,904
Suburban	0	0	0	57,865	63,708
Total Chevrolet	**11,962**	**9,589**	**30,930**	**1,002,058**	**1,085,473**
Jimmy	0	0	0	4,348	7,456
Mediums/Heavies	490	498	1,202	9,041	12,061
P-Model	85	78	189	2,592	3,566
Pickups	32	33	923	127,172	109,990
S-1/Sonoma	1,424	866	2,840	48,314	52,726
S-15 Jimmy	1,003	275	1,651	25,022	45,420
Safari	840	789	2,075	40,946	39,914
Suburban	0	0	0	27,872	29,003
Vandura/Rally Vans	0	0	128	19,500	26,855
Total GMC	**3,874**	**2,539**	**9,008**	**304,807**	**326,991**
Silhouette	0	0	249	27,800	2,627
Bravada	240	0	309	592	0
Total Oldsmobile	**240**	**0**	**558**	**28,392**	**2,627**
Pontiac Trans Sport	0	0	393	40,834	4,977
GENERAL MOTORS	**16,076**	**12,128**	**40,889**	**1,376,004**	**1,414,995**
NAVISTAR	**440**	**1,343**	**2,419**	**64,348**	**70,187**
NISSAN	**2,770**	**3,297**	**7,293**	**126,273**	**109,473**
SUBARU-ISUZU	**1,312**	**1,268**	**2,966**	**31,222**	**3,828**
AM GENERAL	**450**	**450**	**1,080**	**19,990**	**20,340**
MISCELLANEOUS	**300**	**3,000**	**4,500**	**129,900**	**129,600**
TOTAL TRUCKS, U.S.	**57,459**	**56,160**	**146,655**	**3,517,814**	**3,702,619**

CANADIAN TRUCK

Caravan	2,102	2,653	5,765	109,812	130,433
Caravan C/V	126	164	352	6,287	9,006
Ram Wagon	380	340	720	19,872	22,560
Ram Van	1,156	1,388	2,544	52,953	63,572
Total Dodge	**3,764**	**4,545**	**9,381**	**188,924**	**225,571**
Voyager	1,577	2,017	4,440	88,533	111,527
Total Plymouth	**1,577**	**2,017**	**4,440**	**88,533**	**111,527**
Wrangler	1,500	1,482	3,612	53,419	64,973
Total Jeep	**1,500**	**1,482**	**3,612**	**53,419**	**64,973**
CHRYSLER MOTORS	**6,841**	**8,044**	**17,434**	**330,876**	**402,071**
FORD MTR. (ll. trks.)	**2,962**	**2,727**	**6,581**	**122,554**	**145,114**
Light trucks	3,360	3,721	8,498	151,548	145,810
Vans	0	6	6	42,838	54,210
Total Chevrolet	**3,360**	**3,727**	**8,504**	**194,386**	**200,020**
Light trucks	890	857	2,229	56,023	63,252
Vans	0	0	0	16,692	24,183
Total GMC	**890**	**857**	**2,229**	**72,715**	**87,435**
GENERAL MOTORS	**4,250**	**4,584**	**10,734**	**267,101**	**287,455**
CAMI	**100**	**0**	**533**	**44,147**	**0**
NAVISTAR	**150**	**86**	**236**	**7,652**	**9,756**
TOTAL TRKS., CANADA	**14,303**	**15,441**	**35,518**	**772,744**	**844,396**
U.S., CANADA TRKS.	**71,762**	**71,601**	**182,172**	**4,290,558**	**4,547,015**

Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz

Car output trails 1989 by 10.4%

By Karen Detkowski
AUTOMOTIVE NEWS STATISTICIAN

Twenty U.S. car and truck assembly plants were completely or partially idle last week, and Big 3 output fell 5.23 percent from the prior week. Fifteen of those plants will resume operations today.

Scheduled output of 99,446 cars last week dropped 9.10 percent below the prior week and 25.72 percent below the year-ago week.

Year-to-date, 5,557,992 cars have been produced, 10.44 percent behind 1989 at this point.

Truckmakers scheduled 57,459 units last week, an increase of 2.31 percent from the prior week but 24.92 below the same week last year.

So far this year, 3,517,814 trucks have been assembled, 4.99 percent below last year.

General Motors has extended downtime at its Fairfax, Kan., Grand Prix facility and the Van Nuys, Calif., Camaro-Firebird assembly plant for two additional weeks. The plants are scheduled to resume output Dec. 3.

The company's Allante line at the Detroit-Hamtramck facility will be idle this week for inventory adjustment.

Also reporting downtime this week are GM's Wentzville, Mo., car plant and the Lordstown, Ohio, van plant. Both are closed for inventory adjustment.

The Lake Orion, Mich., plant closed Wednesday, and Buick City in Flint, Mich., closed Thursday for inventory adjustment. They are to resume today.

All Chrysler Corp. and Ford Motor Co. U.S. assembly plants will operate this week.

Ford scheduled Saturday overtime last week at its Louisville, Ky., truck plant.

In observance of Thanksgiving, all U.S. plants will be closed Thursday and Friday.

Cars, trucks dip in Canada

Canadian automakers scheduled 22,330 units last week, 7.68 percent below the prior week's build and 5.30 percent below the year-ago week.

Year-to-date, 963,061 cars have been assembled, 8.01 percent above production at this point in 1989.

Truckmakers assembled 14,303 units last week, 7.37 percent below the previous week and 26.60 percent below the year-ago week.

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Automotive News®

November 26, 1990

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GI exodus rocks dealers

Some say sales off 40% because of Iraq crisis

By Jim Henry and Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTERS

Besides keeping Iraqi dictator Saddam Hussein out of Saudi Arabia, Operation Desert Shield is keeping U.S. troops and their families out of U.S. car showrooms.

The absence of hundreds of thousands U.S. troops is hurting dealers from coast to coast — dramatically in cities that have a heavy economic dependence on the military. Dealers near bases reported sales are down as much as 40 percent, and in some cases they are canceling orders, cutting inventory and laying people off.

In addition to the full-time forces overseas, more than 600 reserve units have also been called up for active duty since Iraq's invasion of Kuwait Aug. 2. They come from nearly every one of the 50 states and Puerto Rico.

There are already more than 200,000 U.S. troops in the Persian Gulf area, with another 150,000 reinforcements in the pipeline.

"It's hard to understand how a madman living 10,000 miles away

see GIs, page 41

> "It's hard to understand how a madman living 10,000 miles away can hurt the car business in Clarksville, Tenn."
>
> **Don Jenkins**
> Jenkins & Wynne Ford

LARRY McCORMACK

With fewer customers coming into Yugo Auto Mart, Clarksville, Tenn., salesman Frank Powers uses the telephone to follow up on leads.

The Japanese-American car

U.S. design centers, American engineers make Japan poised for even greater sales

First of two parts

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

Nissan's Gerald Hirshberg in California: "What was it about the Gobi that made people in America smile? You really have to be here to feel it."

First came the Japanese imports. Then came the transplant car factories. Now come the technical centers.

The Big 3 are under siege once again.

And consistent with their long-term view, the Japanese automakers may not see the full results until the next century.

All seven Japanese carmakers with American factories are operating U.S. companies that will vastly improve their ability to design and engineer vehicles for American consumers. And most of these technical centers are undergoing aggressive expansion:

- At least $270 million is being sunk into new U.S. research and design facilities — some of them in the Big 3's home turf in Michigan.
- More than 2,400 designers and engineers will be on the American staffs of the Japanese automakers by the end of 1992.

The numbers are still modest by Detroit standards. Chrysler Corp., for instance, will consolidate several thousand engineers, designers and research and development personnel at its new Auburn Hill Tech Center by 1992.

But Japan's new U.S. technical networks make one thing clear: To pay for their investments in new staffs, new studios and testing operations, the Japanese automakers expect to sell hundreds of thousands or millions of additional vehicles in North America during the 1990s and beyond.

Some of America's hottest vehicles are Japanese imports born in U.S. design studios, including:

- Nissan's 240SX, Maxima and Pathfinder
- Toyota's Celica, Previa minivan and, from a Japanese designer on sabbatical, the Lexus LS400
- Mazda's Miata and MPV minivan

But the full integration of design, engineering and manufacturing in America is more difficult. Because most of the transplant factories here are already straining to fill demand for basic products, the launch of new vehicles by self-sufficient U.S. subsidiaries remains years away for many.

One exception is Honda's Accord station wagon, which will

see R&D, page 42

New side-impact rule: few 1991 cars comply

By Liz Pinto
AUTOMOTIVE NEWS STAFF REPORTER

Although automakers have only a few days left until the Nov. 30 deadline for filing petitions to challenge the new federal side-impact standard, the government said the dockets are empty.

There were no petitions last week and few apparent compliance concerns, despite an *Automotive News* survey of 36 automakers and car importers that shows the makers of fewer than 6 percent of the cars sold in the United States this year feel confident that their cars meet the side-impact standard announced by the National Highway Traffic Safety Administration Oct. 24.

In October, Barry Felrice, NHTSA associate administrator for rulemaking, said that one-third of the car models now sold in the United States meet the tough new standard that is effective in 1994 for 10 percent of the cars sold and will be phased in entirely for 1997.

Early this month, Felrice declined to provide a list of the models that he believes meet the new standard.

In addition, a symposium paper on effective highway accident countermeasures, presented last June by Ralph Hitchcock, director of NHTSA's office of crashworthiness research, claimed that 12 percent of 1988 models achieved side-impact performance levels better than those in the new standard.

But an *Automotive News* survey found carmakers and importers willing to claim outright that only a few models — accounting for only 2 percent of 1990 calendar-year sales — would pass the standard today. The manufacturers and importers reported that a few others — totaling another 3.5 percent of this year's car sales — are close to compliance.

Seventy percent of the carmakers surveyed said they had not yet tested their vehicles using the

see IMPACT, page 41

USED SATURN

Minn. dealer buys well-traveled sedan

By Phil Frame
AUTOMOTIVE NEWS STAFF REPORTER

First in war, first in lease, first in the hearts of used-car salesmen.

This is the operative vehicle identification number: 1G8ZG5491NZ101083. It belongs to a gray SL1 sedan that became the first Saturn in the universe to be sold at auction — most likely the first used Saturn to hit the market.

The sedan now will be leased, according to the Minnesota used-car dealer who bought it Nov. 20 at the Florida Auto Auction of Orlando.

see SATURN, page 45

Market conversion

Van conversion sales have dropped, and some lesser-known companies are emerging as major players. For a listing of makers' rankings, see *Automotive News Insight*, which follows Page 24.

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Solar cars woo the day

By Brian Woodward
SPECIAL CORRESPONDENT

SYDNEY, Australia — The results of the 1990 World Solar Challenge, which ended near Adelaide in South Australia last week, showed that the inventive talents of universities are more than a match for such corporate giants as Honda Motor Co. and Nissan Motor Co., whose Hoxan Corp. engineering unit claims to be the world's largest manufacturer of solar cells.

Of the first 15 cars across the finish line, nine represented universities. The winning car, the Spirit of Biel from Switzerland's Bienne School of Engineering, covered the 1,900-mile course at an average speed of just under 40.7 mph, despite rain and cloudy days for most of the race.

Honda's entry, Dream, finished second with an average speed of 33.6 mph, while the University of Michigan's Sunrunner came in third, with an average speed of 32.1 mph.

The Hoxan entry finished fourth, with an average speed of 32.3 mph.

In the three years running up to the next Solar Challenge, corporations and colleges alike will be analyzing the race results and trying to improve their cars' performance. Each of the solar cars in this year's race gathered and converted between 1,000 and 1,500 watts of electrical energy from the sun when racing was ideal, although cell technologies varied widely.

The convincing victory by the little known Swiss team will draw particular attention, race observers agree. The 385-pound car generated 1,300 watts of power from laser-grooved solar cells developed at the University of New South Wales, Australia.

The car's wide victory margin — its average speed was 7.1 mph faster than the Honda entry and 8.4 mph faster than Michigan's — in unfavorable weather underscores the efficiency of grooved-cell technology, experts here say.

West Germany's Telefunken AG, which supplied Biel's cells, is one of two licensees for the new technology; the other is British Petroleum PLC. The Telefunken cells were laboratory constructed pre-production prototypes costing about 400,000 Australian dollars (about $307,000).

In contrast, the gallenium arsenide cells that powered the 1987 winner, General Motors' SunRaycer, reportedly cost $1.15 million to build, or about three times as much for a similar level of efficiency in converting sunlight into electricity.

SunRaycer finished with an average speed of 41.6 mph, nearly 1 mph faster than this year's victor, although sunlight conditions in the 1987 race were superior.

Production versions of the Telefunken and BP laser grooved cells will be considerably cheaper than the hand-made cells used on the Biel race car. BP has said production of the laser grooved "green" cells should commence at a new factory in Spain by the end of 1991.

One closely watched entry managed a sixth-place finish this year. It was a car fielded by the small Australian Energy Research Laboratory. The company specializes in developing and manufacturing low cost computers that manage the conversion of solar power input to electric power output.

Eight of the first 10 cars to cross the finish line used AERL's Power Maximizer unit.

Despite the lavish expenditure of scientific talent and money on races like the Solar Challenge, experts agree the future of the solar-powered car is bleak. With cell efficiency already close to the maximum theoretical limit, there is no foreseeable way that a solar powered car will be able to compete on cost or performance grounds with a fuel burning car.

The future of battery electric cars is much more promising. According to experts here, the possibility of using solar technology to recharge batteries while cars are parked in the sun is an especially exciting avenue of research.

As the cost of cells fall and the environmental cost of generating electricity with fossil fuels increases, solar recharging becomes a strong reality.

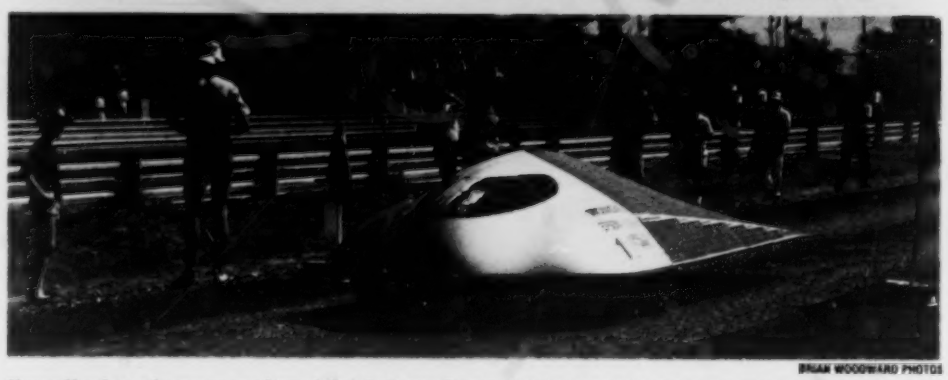
The major problem confronting researchers is that batteries are either heavy and inefficient or environmentally disastrous.

One major development talked about here comes from a joint venture between Isuzu Motors Ltd. and Fuji Electrochemical Co. The capacitor battery developed by the two is so far superior to conventional lead/acid batteries that it promises to revolutionize storage technology, many say.

The new unit holds 30 to 50 times more charge than a conventional lead/acid battery and can produce 20 times the output.

In tests, the prototype capacitor battery took just 30 seconds to recharge, an important consideration for vehicle applications.

Experts say that race enthusiasm aside, solar cars are unlikely to fill roads in Australia, or anywhere.


BRIAN WOODWARD PHOTOS

Young Honda engineers were pleased that their car, Dream, finished second, at an average speed of 33.6 mph.

GM forms minority dealer unit

By Charles M. Thomas
AUTOMOTIVE NEWS STAFF REPORTER

General Motors has formed a department to develop additional minority dealers, and help existing ones be more profitable.

"Minority dealers have the same problems as any other dealer," said Joseph J. Vasquez, who was appointed general director of minority dealer development.

"It is a very competitive market, grosses are flat and the industry is losing volume," he said.

Vasquez, 63, said his goal is to get existing minority dealers disciplined, motivated and doing what is necessary to become profitable.

Vasquez

That means training about products, customer follow-up and getting them "to make 15 cold calls a day to find five prospects and sell two vehicles."

He said the company also needs to find more minority candidates qualified to fill dealership points, conceding GM's record has been spotty.

"What I would like to achieve before I walk away is to put a process in place that would insure a normal appointment process for minorities as there is for majority individuals," he said.

Vasquez lauded GM's Dealer Development Academy — started in 1972 to train minority candidates to operate retail stores — saying it has graduated some of the most financially successful GM dealers.

Financing minority dealers has never posed a problem. "In the early days it was finding candidates. Then the problem was finding points for them to acquire and matching the individual to the store," he said. "Now the problem is the depressed industry."

GM has 192 minority dealers, about 2 percent of the total GM dealer population. That is down slightly from 202 dealers last year and the company's all-time high of 208 minority dealers. The automaker defines minority dealers as blacks, hispanics, Asians and American indians.

Vasquez declined to pinpoint company minority dealership objectives.

"In some urban areas there are no dealerships at all," said Vasquez. "I'm from Boston and it has not had a GM dealer in the city for a number of years of any color or ethnic background."

Vasquez has supervised GM minority dealer activities for six years. The new department will coordinate with GM vehicle divisions the selection and training of minority candidates, as well as their placement in favorable business locations.

VW approves minivan venture in Europe with Ford

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, Germany — A tentative agreement between Ford Motor Co. and Volkswagen AG to jointly produce up to 200,000 minivans a year in Europe after 1994 has been approved by VW directors.

The companies, which have been studying the venture for two years, signed a tentative non-binding agreement last year to proceed with the project. The approval by VW, disclosed without elaboration by Chairman Carl Hahn, puts pressure on Ford directors to either approve the project or pass on it.

The next meeting of the Ford board is Dec. 13, spokesman Bert Serre said. He would not comment on whether the minivan project is on the agenda.

The so-called VX62 project is expected to be based on VW Passat mechanicals with completely separate exterior designs. The joint venture would turn out about 200,000 units annually, beginning in 1993 or 1994, with each company to market half the production.

VW released no other details of the project and said a production site has not been chosen, but a location in Portugal is possible.

Antonio Ernesto Neto da Silva, Portugal's secretary of state for foreign trade, said recently that he expects the two carmakers to produce there. The Setubal industrial area near Lisbon is considered the most likely location, but Ford and VW are known to have investigated sites in Spain also.

Many analysts regard the minivan market as Europe's most important growth segment.

In its latest European light-truck forecast, the research group DRI Europe Ltd. projects sales of 80,000 multipurpose vehicles in 1990, up from 68,765 in 1989. Sales of 300,000 are expected by 1995.

With several new small vans expected to be introduced by about mid-decade, DRI analysts say that the market could double again by 1998, to 600,000 units, and could rise to about 750,000 by the end of the century.

Correction

On the Letters page in the Nov. 12 issue, Alexander R. Kovnat was incorrectly identified as a Porsche-Audi dealer. On the same page, the identification of John T. Morzenti was incomplete. He is a Porsche-Audi dealer in Conshohocken, Pa.

No longer niche products, van conversions have accounted for close to 200,000 sales annually the past few years.

All Dressed Up and Nowhere to Roll

Gearing up for a rocky '91 market, van makers and converters combat cautious dealer floorplans

By: Joseph Bohn

Van converters have been struggling through a difficult period, created partly by retail dealer cautiousness in ordering and stocking conversion units.

But van manufacturers, taking heed of the conversion industry's difficulties, have been looking at ways to help.

As a result, there may be some new — and possibly more potent — programs to help buoy the market in December, when the current round of retail and wholesale incentives end.

Some of General Motors' top converters said they met with GM officials and suggested various ways that the company might help them.

It is uncertain if — or in what way — GM will respond. But its Chevrolet division expressed its strong support for the industry and the importance of converters' economic viability.

Jim Green, Chevrolet assistant RV sales manager, says, "We are committed to the upfitters. We, Chevrolet, will do anything within our power to help them get a good solid footing for the spring market."

Overall, GM has had a greater stake in the conversion market than Ford Motor Co., which has funneled more of its full-sized cargo vans into other commercial markets.

The E-150 cargo van, Ford's most popular conversion model, accounted for only about 22 percent of Econoline production last year.

By contrast, Chevrolet and GMC full-sized van conversion sales accounted for almost an entire van plant's production.

For GM, the slack from such sales cannot easily be taken up by regular passenger vans, because of the strong market that converters have created.

Van conversions are no longer niche products. They have become a full-fledged part of the motor vehicle business, accounting for close to 200,000 sales annually the past few years.

Still, for the average Chevrolet, Ford or Dodge dealer, van conversions are the most expensive vehicles on their lots — the equivalent of luxury cars to floorplans.

Given the uncertain economic environment, dealers have become leery about floorplanning conversions, which they view as a secondary profit source.

To some degree, dealers are more cautious in ordering conversions than the retail strength of the market would seem to dictate.

GMC Truck Division, for example, pointed out that its retail sales of van conversions increased 14 percent in October over last year, an increase far exceeding the rate at which dealers replenished their stocks.

Given such continuing demand, sooner or later dealers will be forced to start restocking what they have sold.

Meanwhile, van conversion sales for the 1990 model year turned out to be pretty much as had been predicted last year at this time.

Industry officials originally forecast a 10 percent sales downturn in the 1990 model year. The final tally shows sales were off 11.81 percent from 1989.

The industry retailed 183,000 van conversions in the 1990 model year, compared to 207,500 in 1989.

Chevrolet retailed 89,000 1990-model conversions, compared to 96,000 in 1989, according to Green.

Actually, Chevrolet sold the same number of full-sized G-vans — 63,000 — in both 1989 and 1990, but its Astro conversions fell from 33,000 in 1989 to 26,000 in 1990.

The decline was due partly to cannibalization by the Lumina APV minivan, but also in large part to the production setup at GM's Lordstown, Ohio, plant, where the compact vans are built.

Lordstown builds a critical mix of passenger and cargo vans. When sales of passenger-model Astros and Safaris slowed and officials trimmed production, the output of commercial Astro/Safari chassis also was trimmed.

GM officials believe that additional cargo versions of Astro would have been sold, particularly in the RV market, if overall production at the plant had been higher.

Astro is being energized this year by powertrain improvements and by increased RV availability of extended-length models. Chevrolet wound up with 48.63 percent of the van conversion market in the 1990 model year, according to an *Automotive News* analysis based on manufacturers' reported sales. That was up from 46.27 percent in 1989.

Ford's share of the van conversion market dropped to 21.31 percent in 1990 from 26.27 percent a year earlier.

Ford retailed 39,000 van conversions, including 38,000 Econolines and 1,000 Aerostars, compared to 54,000 in 1989, according to Jerome Mittman, Ford Division RV sales manager.

Mittman says the fall-off in Ford's conversion sales last year was due mainly to not signing new accounts to its pool system.

Ford currently has 60 authorized converters, compared to 160 for Chevrolet, 75 for Dodge and 40 for GMC Truck.

Mittman says the company didn't sign new accounts because it was in process of implementing a new program for its pool system. That involves closer scrutiny and evaluation of converters' product quality and other operational criteria.

Ford is now signing new companies, and also